Vol. VI

TRANSCRIPT OF RECORD

(Pages [illegible] to [illegible])

(GOVERNMENT'S EXHIBITS)

Supreme Court of the United States

OCTOBER TERM, 1956

No. 3

UNITED STATES OF AMERICA, APPELLANT,

vs.

E. I. DU PONT DE NEMOURS AND COMPANY, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS

FILED JUNE 14, 1955

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VOL. VI

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THE DU PONT FAMILY

PIERRE S. DU PONT

NO CHILDREN

IRENEE DU PONT

1 IRENE DU PONT
(SPOUSE OF IRENEE)

* 2 IRENE S. DU PONT MAY
3 ERNEST N. MAY
- 4 ERNEST N. MAY, JR
- 5 IRENEE DU PONT MAY
- 6 THOMAS H. MAY
- 7 JOHN E. MAY

* 8 MARGARETTA DU PONT GREENEWALT
9 CRAWFORD H. GREENEWALT
- 10 NANCY G. FREDERICK
- 11 DAVID GREENEWALT
- 12 CRAWFORD H. GREENEWALT, JR

* # 13 CONSTANCE DU PONT DARDEN
14 COLGATE W. DARDEN, JR
- 15 COLGATE W. DARDEN III
- 16 PIERRE S. DU PONT DARDEN
- 17 IRENE S. DU PONT DARDEN

* 18 ELEANOR DU PONT RUST
- 19 PHILIP G. RUST, JR
- 20 FRANCIS G. DU PONT RUST
- 21 HENRY RUST
- 22 RICHARD C. RUST

* 23 MARIANA DU PONT SILLIMAN
24 HENRY H. SILLIMAN
- 25 * HENRY H. SILLIMAN, JR
- 26 * DORIS DU PONT SILLIMAN
- 27 * ELEANOR H. SILLIMAN
- 28 * MARIANA DU PONT SILLIMAN
- 29 * ROBERT M. SILLIMAN

* 30 OCTAVIA M. DU PONT BREDIN
31 JOHN B. BREDIN
- 32 STEPHANIE S. DU PONT BREDIN
- 33 MARGARETTA S. BREDIN

* 34 LUCILE DU PONT FLINT
35 ROBERT B. FLINT
- 36 ROBERT B. FLINT, JR
- 37 PETER H. FLINT
- 38 ALICE L. FLINT
- 39 HENRY A. FLINT
- 40 CONSTANCE E. FLINT

* 41 IRENEE DU PONT, JR.

LAMMOT DU PONT

* # 42 NATALIE DU PONT EDMONDS
43 GEORGE P. EDMONDS
- 44 * GEORGE P. EDMONDS, JR
- 45 * ANDREW W. EDMONDS

* 46 MARY DU PONT FAULKNER
- 47 HERBERT K. FAULKNER
- 48 ELISE DU PONT FAULKNER
- 49 EMILY M. FAULKNER
- 50 CHARLES S. FAULKNER
- 51 ROSEMARY FAULKNER
- 52 HENRY B. FAULKNER
- 53 ANDREW G. FAULKNER

* 54 ESTHER DU PONT WEIR

* 55 LAMMOT DU PONT, JR.
- 56 LAMMOT DU PONT III
- 57 WILLIAM F. DU PONT

58 PIERRE S. DU PONT III
- 59 PIERRE S. DU PONT IV
- 60 JANE DE DOLIETE DU PONT
- 61 MICHELE W. DU PONT

* 62 EDITH DU PONT RIEGEL
- 63 EDITH DU PONT RIEGEL (JR.)
- 64 RICHARD E. RIEGEL, JR
- 65 JOHN E. RIEGEL
- 66 NATALIE M. RIEGEL

* 67 ALEXANDRINE DU PONT P. COLLIER

* 68 REYNOLDS DU PONT
69 KATHARINE L. DU PONT
- 70 KATHARINE DU PONT
- 71 REYNOLDS DU PONT, JR
- 72 THOMAS L. DU PONT

* 73 DAVID FLETT DU PONT

* 74 WILLIS H. DU PONT

WILLIAM KEMBLE DU PONT (DECEASED)

75 S. HALLOCK DU PONT
76 VIRGINIA S. DU PONT
- 77 EVE DU PONT REMER
- 78 S. HALLOCK DU PONT, JR
- 79 WILLIAM K. DU PONT
- 80 RICHARD S. DU PONT

81 PAULINA DU PONT DEAN
82 JUNIUS S. DEAN

83 WILHELMINA DU PONT ROSS
84 DONALD P. ROSS

HENRY BELIN DU PONT (DECEASED)

85 HENRY B. DU PONT
- 86 * MARGARET DUPONT SMITH
- 87 * HENRY B. DU PONT III
- 88 * EDWARD B. DU PONT

89 MARGARETTA DU PONT CARPENTER

90 LOUISA CARPENTER JENNEY

91 IRENE C. KITCHELL MORGAN
- 92 RENEE KITCHELL LICKLE
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- 94 NANCY G. KITCHELL
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97 ROBERT R. M. CARPENTER, JR.
- 98 ROBERT R. M. CARPENTER III
- 99 MARY K. CARPENTER
- 100 WILLIAM K. CARPENTER

101 WILLIAM K. CARPENTER
- 102 BELLE M. CARPENTER

LOUISA DU PONT COPELAND (DECEASED)

103 LAMMOT DU PONT COPELAND
104 PAMELA C. COPELAND
- 105 LAMMOT DU PONT COPELAND, JR
- 106 LOUISA D'ANDELOT DU PONT COPELAND
- 107 GERRET VAN SWERINGEN COPELAND

MARY DU PONT LAIRD (DECEASED)

- 108 MARY B. LAIRD DOWNS
- 109 WILLIAM W. LAIRD, JR.
- 110 ALLETTA LAIRD DOWNS
- 111 WILHELMINA LAIRD CRAVEN
- 112 ROSA LAIRD HAYWARD

ISABELLA DU PONT SHARP (DECEASED)

113 HUGH R. SHARP
(SPOUSE OF ISABELLA)
- 114 HUGH R. SHARP, JR.
- 115 BAYARD SHARP

KEY

Names in brackets are husbands and wives

Names underlined are minors

\# Defendant Individuals

* Beneficiary Defendants

Government's Exhibit No. 3

Govt. Trial Ex. No. 3

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720

Wilmington, Delaware,
September 11th, 1914

To the Board of Directors,
of E. I. du Pont de Nemours Powder Company.

Gentlemen:

Organization

As I have been requested by our President to assume the active duties of that office I ask that you approve the following plan of changes in the organization of the company with a view to carrying out the policy of bringing into greater activity and responsibility those men who are now in charge of the several departments of the company:

1st.

Amend the By-laws to omit the requirements that the President of the company be a member of the Executive and Finance Committees.

2nd.

Amend by the By-Laws so that the Finance Committee will report directly to the Board of Directors instead of to the Executive Committee as at present. (This re-establishes the original position of the Finance Committee in the organization of our Company).

3rd.

Increase the membership of the Finance Committee to four and place on that committee:

P. S. du Pont
Alfred I. du Pont
William du Pont
T. C. du Pont.

3030

4th

Define the duties of the Finance Committee as follows:

(a) Recommendation of dividends to be declared by Board of Directors.

—2—

(b) Approval of the annual or semi-annual estimate of appropriations, thereby authorizing a general financial plan under which the departments may act without further reference to Finance Committee for approval of details except as provided in paragraph c.

(c) Approval of all detail estimates of appropriations committing the company to an expenditure of $300,000 or more at the time the Executive Committee recommend starting work.

(d) Authorize appropriations not in the annual or semi-annual estimate of appropriations which may commit the company to an expenditure of $150,000. or more.

(e) Approval of the financial plan whereby funds for future expenditure on capital account are to be provided. For this purpose the monthly financial forecast of the Treasurer is to be sent to the Finance Committee.

(f) Recommend to the Directors plans for the authorizing, issue or sale of securities.

(g) Fix the salaries of the Executive Committee members and president and Vice Presidents of the Company.

(h) Authorize the sale of any tract of real estate valued on the books of the company or by appraisal at more than $100,000.

(i) Authorize certain persons to have access to the safe deposit boxes of the company.

(j) Grant powers of attorney to officers or representatives of the company.

(k) Authorize licenses to others under patents owned or controlled by the company.

5th.

Request the resignation of the present members of the Executive Committee and elect to that Committee the following as in charge of the departments indicated:

Irenee du Pont	Chairman
F. L. Connable	Purchasing Committee
H. F. Brown, Director	Smokeless Powder Dept.
R.R.M. Carpenter, "	Development Department
William Coyne, "	Sales Department
Lammot du Pont "	Black Powder Dept.
H. G. Haskell "	High explosives department
J. J. Raskob, Treasurer	including charge of Accounting and Auditing Departments.

—3—

6th

Increase the number of Directors to include all those named for the Executive Committee.

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7th

Establish the following as the powers and duties of the Executive Committee:

Subject to the Board of Directors and Finance Committee, the Executive Committee have full power in the control of the company's affairs. It is desired that this power be used only with discretion in order to:—

(A) Throw responsibility on the head of the departments, where one department alone is interested; and

(B) Throw responsibility on the heads of two or three departments in matters arising which affect but two or three departments.

In the latter case should the several heads of departments fail to be unanimous, the decision is to be made by the Chairman of the Executive Committee.

Thus it is expected that the Executive Committee should issue final orders only in cases where more than three departments are interested by the decision, and on such other matters as the President asks them to decide for him.

Discussion and criticism of affairs affecting less than four departments is entirely proper so long as such discussion and criticism is constructive and given in a spirit to aid the departments interested, but it is not desired that there should be fault-finding where a better solution of a question is not offered.

In order that the Executive Committee may be in a position to intelligently offer helpful criticism and pass on matters affecting

more than three departments, they must be kept informed of matters of importance throughout the company. For this purpose monthly reports should be presented to the Executive Committee for their information and there should be discussion of the same in the monthly meetings. Short interim meetings should be held weekly between the monthly meetings to discuss matters pertaining to the company's welfare and to keep the members posted promptly on any new matters of importance as they occur.

Any action taken in an interim meeting carries the same weight and authority as an action taken at the regular monthly meeting.

As the members of the Committee are all engaged in active and responsible duties in their own departments, it is necessary that the Executive Committee work should not be allowed to interfere with departmental affairs. If any member of the Committee believes that his departmental work is being inter-fered with by Executive Committee duties, it is his duty to report that fact to the Chairman in order that a plan to relieve him may be formulated before any injury is done.

8th

Retain on salary in advisory capacities, with the title of Vice President, Messrs. Alfred I. du Pont, H. M. Barksdale, J. A. Haskell, A. J. Moxham and C. L. Patterson.

9th

Elect to Vice Presidency of the company, Mr. F. L. Connable to represent the President in matters concerning the Purchasing

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Department, in the same way as that position has been filled by Mr. Irenee du Pont heretofore.

Yours very truly,

Pierre S. du Pont,
VICE PRESIDENT

Approved .

Approved Alfred I. du Pont

Approved T. C. du Pont

Approved Wm. du Pont.

Du Pont Securities Company,
Wilmington, Delaware.

March 2nd, 1915.

Gentlemen:

The undersigned, in accordance with the arrangement approved by resolution of your Board of Directors, passed the first day of March, 1915, under which the undersigned sold to your Company certain shares of the capital stock of E. I. du Pont de Nemours Powder Company, desire to place in the Treasury of your Company the number of such shares set opposite our respective names - the stock so placed in your Treasury to be used for the recognition of past and to encourage the future services of certain employes of E. I. du Pont de Nemours Powder Company - and this will authorize the Board of Directors of your Company in their discretion to issue and dispose of the shares of your stock set opposite our respective names for the above purposes.

Subscriber	Total stock due under resolution of March 1st	Number of Shares assigned hereunder	Balance to be issued in our names
Pierre S. du Pont	37500	5875	31625
Irenee du Pont	12000	1880	10120
Lammot du Pont	12000	1880	10120
A. Felix du Pont	6000	940	5060
R R M Carpenter	4500	705	3795
John J. Raskob	3000	470	2530
		[illegible]	[illegible]

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		[illegible]	[illegible]

NUMBER OF SHARES OF DU PONT POWDER COMMON STOCK

Total,	91,491
Acquired from T. C. duPont,	-3,314
Balance acquired from following:	28,177
P. S. duPont,	14,089 shares
Irenee duPont,	4,508 "
Lammot duPont,	4,508 "
A. Felix duPont,	2,254 "
R. R. M. Carpenter,	1,691 "
J. J. Raskob,	1,127 "
	28,177 "

Government's Exhibit No. 43

A meeting of the Directors of duPont Securities Company was held at duPont Building, Wilmington, Delaware, on the 2 day of March, A. D., nineteen hundred and fifteen, at five o'clock P. M.

There were present all of the Directors.

The waiver of notice of the first meeting was read and ordered filed.

It was determined, upon motion, to proceed to the election of officers, which resulted as follows:

Pierre S. duPont,	President,
Irenee duPont,	Vice-President,
John J. Raskob,	Secretary,
John J. Raskob,	Treasurer.

The President and Secretary immediately assumed the duties of their respective offices.

The minutes of the meeting of the incorporators and subscribers were read, and on motion it was ordered that the Secretary record the same in a suitable book to be procured for that purpose.

The Secretary was directed to procure a corporate seal, certificates of stock, and all necessary and proper books for the business of the Company.

On motion it was resolved that the depositories of this Company be Bankers Trust Company - J. P. Morgan & Co.

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On motion the principal office of the Company in the City of Wilmington and State of Delaware was located at duPont Building.

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The following resolution was offered and on motion, duly seconded, was unanimously adopted.

RESOLVED, That in the judgment of this Board, it is necessary that this Company should acquire fourteen thousand five hundred and ninety-nine shares of the preferred stock of E. I. du Pont de Nemours Powder Company, a corporation existing under the laws of the State of New Jersey, and ninety-one thousand four hundred and ninety-one shares of the common stock of the said Company, and do pay therefor the sum of Twenty-one Million Four Hundred and Eighty-eight Thousand Two Hundred and Forty-six Dollars as follows: Thirteen Million Nine Hundred and Eighty-eight Thousand Two Hundred Forty-six Dollars in cash, and Seven Million Five Hundred Thousand Dollars in the full-paid capital stock of this Company at par; the said stock being in the judgment of this Board necessary for the business of this Company and worth upwards of the said sum of Twenty-one Million Four Hundred and Eighty-eight Thousand Two Hundred and Forty-six Dollars;

AND BE IT FURTHER RESOLVED, That the officers of this Company be and they are hereby authorized to acquire the said stock as aforesaid, and to pay therefor in the manner herein provided.

The President reported that he had arranged to borrow in the name of the Company $8 500 000. from Bankers Trust Company, and to give therefor the promissory note of the Company in the principal amount of $8 500 000. bearing interest at the rate of six per cent. per annum and payable eighteen months after date, with privilege of having such note extended for an additional period of eighteen months at the same rate of interest and a commission of one and one-half per cent. of the principal amount, to be secured by 54,591 shares of the common capital stock and 14,599 shares of the preferred capital stock of the E. I. du Pont de Nemours Powder Company, owned by the Company.

The President further stated that Bankers Trust Company had agreed to make such loan provided that the payment of it was guaranteed severally, but not jointly, by Mr. P. S. duPont in the amount of $4,250,000., Mr. Irenee duPont in the amount of $1,360,000, Mr. Lamott duPont in the amount of $1,360,000., Mr. John J. Raskob in the amount of $340,000., Mr. A. Felix duPont in the amount of $680,000., and Mr. R. R. M. Carpenter in the amount of $510,000. The guaranty agreement to provide that when and as any one guarantor shall make a payment under such guaranty, such guarantor should receive from the stock then remaining pledged and on hand with the Bankers Trust Company the proportion of preferred stock and common stock which any such payment should bear to the amount due and unpaid on said note at the date of such payment.

On motion duly made, seconded and carried,

UNANIMOUSLY RESOLVED, that the President and Treasurer, both directors of this Company, hereby are authorized and directed in the name of this Company, to borrow from Bankers Trust Company of New York City, $8,500,000., and to execute and deliver in exhcnage therefor the promissory note of this Company in the collateral note form now used by and satisfactory to Bankers Trust Company, to the order of Bankers Trust Company, dated March 2, 1915, payable eighteen months after date, bearing interest at the rate of six per cent. per annum, such note to provide that the time of payment thereof may be extended eighteen months from September 2, 1916, at the same rate of interest, upon the payment by this Company to Bankers Trust Company of a commission of one and one-half per cent. of the principal amount. To secure such note, the President and Treasurer are hereby authorized and directed to pledge with the Bankers Trust Company fourteen thousand five hundred ninety-nine (14,599) shares of the preferred capital stock and fifty-four thousand five hundred ninety-one (54,591) shares of the common capital stock of the E. I. duPont deNemours Powder Com-

pany now owned by this Company, and for such purpose such officers are hereby authorized and directed to execute and deliver to Bankers Trust Company an assignment or assignments of such shares of stock, assigning the same either expressly to said Trust Company, or in blank, or to such person as may be certified to this Company by the President of such Trust Company as the nominee of the Trust Company, - all as said Trust Company may request. So long as such note is unpaid, all dividends payable on the stock pledged thereunder shall be paid directly to, and applied by, said Trust Company on account of interest then due, or to fall due, from time to time, any balance or accumulation thereof not so applied to be held to be applied at the maturity of such note upon the principal thereof. Upon any default in such note said Trust Company shall forthwith possess all voting rights appertaining to the stock pledged hereunder. Until such default such voting rights shall be possessed by the Company.

FURTHER UNANIMOUSLY RESOLVED, that the officers of this Company are hereby authorized and directed to execute and deliver the consent of this Company to a certain guaranty agreement whereby P. S. duPont, Irenee duPont, Lamott duPont, A. Felix duPont, John J. Raskob and R. R. M. Carpenter severally guarantee in the amounts set opposite their respective names, (such amounts aggregating $8,500,000.) the payment of the principal and interest of said loan of $8,500,000., when and as any one guarantor shall make a payment under such guaranty, such guarantor should receive from the stock then remaining pledged and on hand with the Bankers Trust Company the proportion of preferred stock and common stock which any such payment should bear to the amount due and unpaid on said note at the date of such payment.

FURTHER UNANIMOUSLY RESOLVED, that the officers of the Company are hereby fully authorized and directed to execute and deliver any other paper or papers and to do any further acts necessary and desirable to carry out the foregoing resolutions with respect to said loan and guaranty, as they in their discretion may determine or deem them ma[illegible]

be advised by counsel to the Company.

FURTHER UNANIMOUSLY RESOLVED, that Bankers Trust Company be designated a depositary of this Company in the City of New York, and the Treasurer of this Company is hereby directed to open a deposit account with such depositary for this Company, and the Secretary of the Company is directed to certify to such depositary, (1) a copy of the by-laws of this Company, or such part thereof as relates to its deposit accounts, the endorsement of drafts or checks deposited therewith or drawn against the same, and (2) a statement naming the officers of this Company authorized to endorse or sign such drafts or checks, with specimens of their respective signatures for use by said depositary for the purposes of comparison.

FURTHER UNANIMOUSLY RESOLVED, that as provided in the By-Laws of this Company, all drafts and checks drawn against such account should be signed by any two of the following, namely, the President, Vice-President or Treasurer or such other person or persons as may be expressly authorized by resolution of the Board of Directors, and any one of such officers or persons is authorized to endorse all drafts or checks deposited to the credit of such account, and said depositary is directed to accept for deposit any drafts or checks made or endorsed to the order of this Company bearing the stamped endorsement of this Company, and the depositary is hereby directed to accept and pay without further inquiry any draft or check against such account bearing the signature or signatures of such officers as so required, including drafts or checks to the order of any officer of this Company.

The following resolution was offered and on motion, duly seconded, was unanimously adopted.

WHEREAS, it is necessary that this Company should borrow the further sum of Five Million Nine Hundred Thousand Dollars,

THEREFORE BE IT RESOLVED, That the President and Treasurer of this Company be and they are hereby authorized to borrow the said

amount upon such terms, and for such time as to the said President and Treasurer may seem proper, and to secure the same by issuing the note, notes, or other obligation or obligations of this Company in such form as may be approved by the said President and Treasurer, and to secure the repayment thereof by pledging thirty-six thousand nine hundred shares of the common stock of E. I. duPont deNemours Powder Company, a corporation existing under the laws of the State of New Jersey;

AND BE IT FURTHER RESOLVED, That the said President and Treasurer be and they are hereby authorized to use the note, notes, obligation or obligations of this Company to the amount aforesaid, drawn and secured as aforesaid, in purchasing any shares of the preferred or common capital stock of the said E. I. duPont deNemours Powder Company.

The following resolution was offered, and on motion, duly seconded, was unanimously adopted.

RESOLVED, That the President of this Company be and he is hereby authorized to vote any stock now or hereafter owned by this Company in any other corporation at any meeting of the stockholders of such corporation or corporations in such way as to the President of this corporation may seem meet and proper.

In pursuance of the provisions of the By-Laws, on motion, duly seconded, the following resolution was unanimously adopted.

RESOLVED, That any two members of the Board of Directors be and they are hereby authorized to sign on behalf of the Company all checks, notes, drafts or orders for payment of money.

Gerald Ley

Government's Exhibit No. 45

3042

A meeting of the Directors of Du Pont Securities Company was held at Du Pont Building, Wilmington, Delaware, on 19th day of March, A.D., nineteen hundred and fifteen, at eleven o'clock A. M.

All the Directors were present.

A letter was received from Messrs. Pierre S. du Pont, Irenee du Pont, Lammot du Pont, A. Felix du Pont, R. R. M. Carpenter and John J. Raskob under date of March 2nd, 1915, placing in the Treasury of this Company 11 750 shares of the stock of Du Pont Securities Company to be issued in the discretion of the Board of Directors in recognition of past and to encourage future services of certain employes of E. I. du Pont de Nemours Powder Company (the original of which forms part of these minutes).

On motion of Mr. J. J. Raskob, seconded by Mr. Irenee du Pont, the following resolution was unanimously adopted:

WHEREAS, the stockholders of this Company have assigned to it eleven thousand seven hundred and fifty shares of its capital stock to be used by this Company as hereinafter provided;

AND WHEREAS, this Company is the owner of a large number of shares of the preferred and common capital stock of E. I. du Pont de Nemours Powder Company, a corporation existing under the laws of the State of New Jersey, and it is the desire of this Company to recognize the past and encourage the future services of certain of the employes of the said Powder Company,

THEREFORE BE IT RESOLVED, That this Company do

assign the said eleven thousand seven hundred and fifty shares of the ~~said~~ stock as follows:

Irenee du Pont	1250 shares
Lammot du Pont	1250 shares
R. R. M. Carpenter	1250 shares
William Coyne	1250 shares
Harry G. Haskell	1250 shares
Harry F. Brown	1250 shares
John J. Raskob	1250 shares
William C. Ramsay	1250 shares
Frank G. Tallman	1250 shares
John P. Laffey	500 shares

to be held by them and in accordance with the provisions of a certain agreement now present;

AND BE IT FURTHER RESOLVED, That the officers of this Company be and they are hereby authorized to execute the said agreement on behalf of this Company and to carry the provisions thereof into effect,

AND BE IT FURTHER RESOLVED, That a copy of the said agreement be spread on the minutes of this meeting

Government's Exhibit No. 52

IRENEE DU PONT

Summary of Acquisitions and Dispositions of Common Stock of Christiana Securities Company (Du Pont Securities Company)

Acquisitions	No. of Shares	
Subscription upon formation of Christiana, 3/1/15	12,000	
Received from Christiana as key employee of du Pont Company, 1918	1,250	
Purchased from J. J. Raskob, 1921	165	
Received as stock dividend, 1922	11,118	
Total Acquisitions		24,533

Dispositions		
Gift to Christiana for key employees of du Pont Company, 3/2/15	1,880	
Gifts to employees of du Pont Company, 1915-24	667	
Sales to employees of du Pont Company, 1923-26	1,200	
Sales and gifts to "members of the du Pont family", 1925-40	9,560	
Gifts to charities, 1933-47	1,321	
Gifts to others, 1933-40	615	
Sales through brokers, 1933-39	1,989	
Total Dispositions		17,232
Balance, 6/30/49		7,301

Government's Exhibit No. 67

GENERAL MOTORS CORPORATION 3045

Inter-Organization Letters Only

June 16th, 1927

SUBJECT

FROM

FOR ATTENTION OF Messrs. P. S. duPont
Irenee duPont
Lammot duPont

Gentlemen:

On Tuesday Messrs. J. P. Morgan & Company received a cable from Nobels directing them to sell 50,000 shares of General Motors common stock at the market. Undoubtedly what they meant was that they wished to sell 50,000 shares of stock at the prevailing market with the understanding that the brokers could use their discretion. However, this was not what the cable stated and the brokers of necessity had to interpret the cable literally, which meant dumping 50,000 shares of stock "at the market". This resulted in quite a break in the stock which dropped to 196, since which time, however, it has recovered to above two hundred.

On March 28th Sir Harry wrote me, as per copy of letter enclosed herewith, with which you are all familiar. In my absence Mr. Sloan replied to the letter, as per copy of letter also enclosed. I understand also that Lammot wrote Sir Harry giving it as his opinion that the relative market prices of du Pont and General Motors at that time made duPont seem rather high.

It would seem to me very desirable to have Nobels secure say 40,000 shares of duPont common, or perhaps better still an equivalent amount of Christiana Securities Company stock and in that way come directly into the partnership that controls duPont. My suggestion, therefore, is that we offer them the privilege of buying 40,000 shares of duPont from the Christiana Securities Company at $240. per share, taking in payment therefor either cash or some General Motors common at say $205. per share. Or, as an alternative proposition, get a block of Christiana Securities Company stock together and sell it to Nobels at a price equivalent to duPont at $240., taking cash or General Motors in payment therefor.

I think the risk of losing control of the duPont Company through the sale of 40,000 shares by the Christiana Securities Company is very remote and involves little risk because I think the gain through securing the English as partners would warrant the risk. Of course, if they take Christiana stock instead of duPont this question would not be involved, and, in addition, by buying Christiana stock they would become partners not only in duPont, but in the control of Atlas as well.

I have had the thought that if the Christiana Securities Company should secure say nine or ten million dollars cash through the sale of 40,000 shares of duPont, it might invest it in the Steel Pool, but personally I would much prefer the investment made in General Motors as it is a business we all know, understand and are responsible for, and I feel very confident that in the gain this investment will likely be double that of the Steel investment.

The main point of this letter is this: I feel very strongly that we will be very well advised to do everything possible to secure the closest relationship between the English and American dye and chemical interests that it is possible to secure, and that an investment of ten million dollars in our stock by the Imperial Chemical Industries of England will be a very great and substantial step in this direction.

J. J. Raskob

Government's Exhibit No. 68

Copy: Mr. P. S. du Pont
Mr. Irenee du Pont

June 17, 1927.

Mr. John J. Raskob,
New York City, N. Y.

Dear John:

Have just read yours of June 16th in regard to I.C.I. investments in du Pont and General Motors stock. It does not seem to me a good move, on principle, to weaken Christiana Securities position with respect to du Pont by the sale of a considerable block of its du Pont stock. The suggestion of the issue and sale of Christiana stock to I.C.I. of course overcomes this, but would get us into another difficulty. Christiana Securities is almost entirely owned by a small group that are intimately connected and whose interests, generally speaking, are pretty much the same. If we get in another substantial stockholder; such as I.C.I., the chances are that its interests would not be wholly with the other stockholders, and this would leave the way open to difficulties and misunderstandings.

The stockholdings of du Pont are already so diversified that an additional foreign stockholder does not create the same effect. I am heartily in favor of I.C.I. retaining the General Motors interest which they have, and I believe and am highly in favor of their taking an interest in du Pont stock, but I am not in favor of the idea of accomplishing both or either of these purposes through the Christiana Securities route.

Yours sincerely,

LduP/MD

Government's Exhibit No. 101

March 16th, 1909.

Artificial Leather
Nitrated Cotton Requirements.

Mr. Irenee duPont.

Building.

Dear Sir:—

Referring to your recent request for such information as we have on file regarding the amounts of nitrated cotton manufactured and used by the various concerns whose requirements in this line we have started to investigate, I submit the following. As these studies, with the exception of Artificial Leather, have become especially active only recently, and as our previous work on the Artificial Leather study has been principally in connection with investigating the manufacturing requirements, costs, market for finished products, etc., the data appearing below consists generally of estimates and opinions, but we will secure whatever reliable information is available as soon as possible and will probably take up other lines of manufacture as well.

ARTIFICIAL LEATHER.

Fabrikoid Company, Newburgh, N. Y. Mr. Mix of the New York Office, has advised us that this company makes 1,000 pounds of nitrated cotton per day (25,000 pounds per month), and we are awaiting the result of his attempt to have this figure confirmed so we may have the benefit

Italics indicate handwriting.

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of whatever additional information he receives before taking the matter up direct.

It has also been reported that their nitrated cotton costs them about 30¢ per pound, that they use from 400 to 700 pounds per day in the manufacture of Artificial Leather and that they have recently organized a pyroxylin department with an office in New York City, under the charge of T. R. Chase, who was formerly in the employ of the duPont Company, for the sale of the nitrated cotton made by them that they do not use in their other lines of manufacture.

<u>Frost Finishing Company, West Barrington, R. I. & West Nutley, New Jersey.</u> Our average monthly sale of nitrated cotton to this company during the three months ending February 28th, 1909, was 4161 pounds, but they also

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use large quantities of celluloid scrap, each two pounds of which they consider to be the equivalent of one pound of nitrated cotton, and the Superintendent of the West Nutley plant told me that it makes a better artificial leather than pyroxylin mixtures and that if he had full authority to make a choice he would use nothing else. He also informed me some time ago, when their output was smaller than at present, that they used the equivalent of 200—50-gallon barrels of 16 ounce mixture per month. On this basis, if they did not use celluloid scrap they would require about 10,000 pounds of nitrated cotton, per month.

<u>Sanford Mills (Factory L), Reading, Mass.</u> Our New York office is confident that we furnish all the nitrated

cotton used by this company. We sold them an average of 4288 pounds per month during the three months ending February 28th, 1909.

Charles Cooper & Company, (operating the Koratal Plant), Newark, N. J. We are informed by Mr. Mix that this company makes about 600 pounds of nitrated cotton per day (15,000 pounds per month). This we will confirm as soon as possible.

Marokene Company, Elizabeth, N. J. We have been assured by this company that we supply all the nitrated cotton used by them. Their average monthly purchase from us during the three months ending February 28th, 1909, was 1333 pounds.

Boston Artificial Leather Co., Stamford, Conn. Mr. Richards of this company told the writer that they make from 6,000 to 8,000 pounds of nitrated cotton per month—we average it at 7,000 pounds—most of which they use in the manufacture of artificial leather.

Artificial Silk.

During the year ending June 30th, 1908, there were imported into the United States for consumption, 977,444 pounds of artificial silk, at least 75% of which was manufactured under the Chardonnet process. Comparatively little artificial silk is manufactured in this country, but it is conservatively estimated that the consumption here is 1,000,000 pounds per year. In view of such a large percentage of this being made by the Chardonnet methods, we may figure the amount of nitrated cotton necessary for the production of the total amount on

the basis of the requirements of this process.

To produce 1,000,000 pounds of Chardonnet silk per year, would require about 167,000 pounds of nitrated cotton per month.

Celluloid.

The principal celluloid manufacturers of the country are
The Celluloid Company, Newark, N. J., and
The Arlington Company, Arlington, N. J.

both of which are now using nitrated paper made from picked white cotton rags as the basis of their product.

The former company receives paper from the plant of the Diamond Paper Mills Company, Bloomfield, New Jersey, at which place the writer learned that an average of about 2500 pounds were furnished to the Celluloid Company per day.

The entire output of the White Falls Paper Company, West Nutley, N. J. is taken by the Arlington Company and the Superintendent of the paper mill informed me that they have been supplying this concern with paper at the rate of about 3400 pounds per day, but that this would soon be increased to 4,000 pounds per day.

We understand at present that these two celluloid manufacturing plants secure all their paper from the mills mentioned and while we have not determined the reason they use nitrated paper, we suppose it is due to the lower cost of paper made from cotton rags, which are not digested, as compared with the cost of long staple cotton or linters, no sufficient supply of the so-called Tennessee fibre having been available for their purposes in the past.

Figuring 25 working days per month and, assuming that, should nitrated cotton be adopted by these concerns

as a substitute for nitrated paper an equal amount of cotton would be required, we estimated that their joint requirements, including the increase to be made in the output of the Arlington plant, would be about 216,000 pounds per month.

In connection with celluloid, we may also consider the

nitrated cotton requirements of photographic film manufacturers.

We have received advice indirectly from the Sales Agent, confirmed by the Factory Manager, that the Eastman Kodak Company, of Rochester, New York, uses 10,000 pounds of nitrated cotton per day (250,000 pounds per month) in the production of films. They nitrate their own cotton at present.

Our New York office is now negotiating for the business of the Ansco Company, film manufacturers of Binghampton, New York, and they stated their present requirements to be from 18 to 20 barrels of mixture per week, each barrel containing about 50 gallons of 18 ounce pyroxylin solution.

As it requires about one pound of nitrated cotton to produce one pound of film, the reported output of the Eastman plant might appear to be excessive, but owing to the popularity of moving picture establishments at this time and the consequent heavy requirements of pictures for their operation, the figures given may be correct, although we have not satisfied ourselves on this point as yet.

Representatives of the Ansco Company have stated that they are considering going into the manufacture of films for moving picture machines and that if they do their output will be trebled in a short time.

We understand that the Eastman Kodak Company cannot fill their orders for films fast enough and that the Ansco Company could do a much larger business in their present line, were it not for the fact that they are holding back until the settlement of some litigation in which they are now involved with the Eastman Company.

Charles Cooper and Company, of Newark, New Jersey, proprietors of the Koratal plant, have been supplying the Ansco Company with nitrated cotton.

We figure that the film manufacturers mentioned require about 254,500 pounds of nitrated cotton per month.

MISCELLANEOUS.

The Welsbach Company, of Philadelphia, nitrate cotton for

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use in the manufacture of their incandescent gas mantles, and the Gould Storage Battery Company, who have a plant near New York, used to have considerable cheese cloth nitrated by Charles Cooper & Company, but are now doing their own nitrating.

We have not had an opportunity to investigate the requirements of these concerns as well as those of others that require nitrated cotton, but will take them up as soon as possible.

The above information, of which a summary appears below, will give an idea of the probable amounts nitrated and required by the plants mentioned and we will have the figures confirmed at the earliest opportunity, after which full reports on each subject will be prepared and submitted.

SUMMARY

Artificial Leather	Monthly Requirements	
Fabrikoid Company	25,000 lbs.	
Frost Finishing Company	10,000 "	
Sanford Mills (Factory L)	4,288 "	
Charles Cooper, Company (Koratal Plant) Less that sold to the Ansco Company	10,500 "	
Marokene Company	1,333 "	
Boston Artificial Leather Company	7,000 "	58,121 lbs.
ARTIFICIAL SILK		
That consumed in this country		167,000 "
CELLULOID (including photographic films)		
The Celluloid Company	83,000 lbs.	
The Arlington Company	133,000 "	
Eastman Kodak Company	250,000 "	
The Ansco Company	4,500 "	470,500 "
Total		695,621 "

At present we are only furnishing 9782 pounds of the above total, leaving a balance of 685,839 pounds.

During the year 1908, we used 3,601,914 pounds of gun-cotton in the manufacture of Government smokeless powders. This is at the rate of 300,160 pounds per month—only about 44% of the above balance which does not include the requirements of the Welsbach Company, Gould Storage Battery Company and other large consumers of nitrated cotton.

It will also be noted that the nitrated cotton requirements of artificial silk consumed in this country annually is over 55% of the amount we furnished to the Government in the form of Powder during 1908.

Very truly yours,
(s) W. W. Richards.

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Government's Exhibit No. 103

Wilmington, Delaware,
March sixteenth,
1912

EXECUTIVE COMMITTEE,
BUILDING.

Gentlemen:—

It has been reported for some time past that the Pluviusin Company, the largest manufacturer of artificial leather in England, has contemplated the erection of plants in this country. The rumor having come to us shortly before I left for Europe that they had discussed, among themselves, the desirability of joining us in this venture, we allowed the report to reach their ears that the writer expected to be in London at a certain time, taking the chance that they would call upon him while there, which they did the day after his arrival, of their own accord.

The question of joining us in some way was brought up by Mr. Winterbottom, the controlling factor, and arrangement was made to have his General Manager join us in Wilmington for a discussion. This meeting was held yesterday with Mr. Coyne present.

The proposition placed before us by Mr. Dodd of the Pluviusin Company was that we should make a separate company of our artificial leather business and sell them, say, 45% of the stock.

The second proposition which was discussed, but not looked upon very favorably by Mr. Dodd, was that the Pluviusin Company should purchase outright the O'Bannon Corporation.

The third proposition suggested by us was that we should either purchase outright the American rights to all of the Pluviusin processes or that we should manufacture our light sheetings under their process on a small royalty basis.

The fourth proposition which was not brought up in the meeting, but which was suggested by Mr. P. S. du Pont, is that we suggest to them some agreement by which we would exchange ideas, etc. This last proposition is left for discussion at your next meeting, if thought advisable.

I believe that should these people start manufacturing in this Country on their own hook, it would mean a long drawn out price-cutting war which would cause all of the concerns to lose materially for a considerable time. Some arrangement with them seems advisable. It is also a fact that we do not seem able to manufacture a satisfactory light sheeting at this time and the information which we would secure from the Pluviusin Company for this purpose would, no doubt be of value.

As Mr. Dodd sails the latter part of next week and is desirous of taking some word from us to his Board of Directors, I request that the matter be discussed at your next meeting and that I be authorized to give him some reply.

In case of our being willing to make some agreement, Mr. Winterbottom, himself, will come to this Country in April.

Respectfully submitted,

R. R. M. Carpenter. (Stamp)

Note. "Noted H. J. M." stamped at top of document.

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[fol. 770] GOVERNMENT'S EXHIBIT No. 104

Wilmington, Delaware,
October 11th,
1912.

Messrs. P. S. duPont,
A. J. Moxham,
C. L. Reese,
R. R. M. Carpenter,

DEVELOPMENT COMMITTEE.

Gentlemen:

A representative of this Department met Mr. Mark Brickhill and Mr. Bucklin of the Winterbottom Book Cloth Co., in New York on the evening of Monday, October 7th. Mr. Brickhill had been in this Country since September 27th, and returned to England on Wednesday, October 9th. Evidently the purpose of his visit was to arrange for a place for the Pluviusin Company to begin the manufacture of artificial leather in this country, as he advised our representative that he had under option a place for this purpose, which option expires on the 25th of October. Mr. Brickhill expected to reach England on or about the 14th of this month, and advised that his people would at once enter into consideration of the question of entering the American field, and must come to a prompt decision in the matter.

He stated that they were entirely willing to consider a combination with our interest in this country, either before or after their entry into the field, as they agreed with us that some such combination would be mutually beneficial, but that if we wished to consider a combination before they [fols. 771-772] entered the field, we would have to advise them by cable to this effect, outlining in general our plan of combination for their consideration. Our representative had not expected to go into the subject as far as was found necessary in the interview, as we were under the impression that the Pluviusin Company was not yet ready to consider this matter. However, in view of Mr. Brickhill's statements some preliminary ground was covered.

We have for some time past, been asking Mr. Winterbottom to formulate his ideas on a combination, and on

learning of their intention to start at an early date in this country, we asked Mr. Brickhill for his ideas. His answer was that he felt inasmuch as we now occupied this field, that the intimation of the plan of combination should come from us. However, further talk on the subject drew from Mr. Brickhill a suggested plan, which while he would not vouch for its acceptability we judge from his presentation of the matter that the idea represented to his people a generally acceptable form of combination. Mr. Brickhill stated that the Pluviusin Company was ready to come in with us, and to buy a substantial interest in the business, and that their contribution in return lay in their good-will in this country, their ability in the business in general and certain secret patent processes that they are working up, and are now practically ready to demonstrate commercially, which will improve the quality of the product, and at the same time, reduce the cost of production.

[fol. 773] (a) We advised Mr. Brickhill that we felt sure we would desire to control the combination, and in the subsequent conversation with him, a division of interests of 60 and 40% was discussed our understanding being that the Pluviusin Company would purchase for cash a 40% interest.

[fol. 774] Very truly yours,

R. R. M. Carpenter,
Manager, Development Department,
Per Egbert Moxham (Stamp)

[fol. 775] Government's Exhibit No. 105

Wilmington, Delaware,
February 10th,
1913

EXECUTIVE COMMITTEE BUILDING

Gentlemen:

We are in receipt of a report from Mr. Carpenter, which is enclosed herewith on his negotiations with the Winterbottom Book Cloth Company. In addition we have attached as an addendum to this report, certain additional data that we understand Mr. Carpenter desires should be laid before you.

In Mr. Carpenter's letter accompanying this report, he advises that the new process of the Winterbottom Book Cloth Company is based on the use of nitro-cellulose without a solvent, and that the heaviest coating is secured by running once through the machines.

Our understanding is that the contract submitted with Mr. Carpenter's report is a tentative agreement entered into, subject to the approval of your Committee. It is highly important that the subject receive prompt consideration, that the matter may be carried to a conclusion by Mr. Carpenter while in Europe. We understand from cable advice from Mr. Carpenter that, pending your decision on this agreement, he has agreed with the Winterbottom Book Cloth Company that we will not make any arrangements looking to a sale of our product in Europe.

Respectfully submitted,

R. R. M. Carpenter,
Manager, Development Department,
Per, Egbert Moxham.

[fol. 776] Wilmington, Delaware,
February 10th,
1913.

Executive Committee Building

Gentlemen:

On January 29th and 30th, Mr. P. S. duPont and the writer discussed with the Chairman and two of the Directors of the Winterbottom Book Cloth Company, of Manchester, England, the subject of a contract between our Company and the Winterbottom Book Cloth Company. The standing of the Winterbottom Book Cloth Company is of the very highest.

[fol. 777] It is the recommendation of Mr. duPont and the writer that this contract be entered into for the following reasons:

First: We believe that the sale of one-sixth of the capital stock of the proposed new Fabrikoid Company at an approximate price of $250,000.00 cash to a concern having the standing of the Winterbottom Company, preferable to having them build a large Plant in the United States and place

on the market a product which from our limited personal examination of samples leads us to believe is probably superior to that now being manufactured.

[fol. 778] In conclusion, we feel a contract on the tentative agreement enclosed, will be a highly advantageous one, in that we would secure as partners rather than competitors, the Winterbottom Book Cloth Company, and in view of the fact that the terms of investigation for the purchase of the process are, we believe, advantageous to us.

[fol. 779] Respectfully submitted,

R. R. M. Carpenter,

Approved and recommended,

P. S. duPont.

Government's Exhibit No. 106

Wilmington, Del., November 10, 1921.

FINANCE COMMITTEE,

BUILDING.

Gentlemen:—

In accordance with your request of October 17th, there is transmitted to you, herewith, a short history of the Fabrikoid industry, prepared by Mr. R.R.M. Carpenter.

Very truly yours,

IRENEE DU PONT, President
/s/ IRÉNÉE DU PONT

NOTE. "Finance Committee, Secy's No. 6665" and "Received Nov. 14, 1921, M.D.F." are stamped at top of this page. "Return to Executive Committee Room 9069" is stamped at bottom.

November 4, 1921.

FINANCE
To—~~EXECUTIVE~~ COMMITTEE,

FROM—CELLULOSE PRODUCTS DEPARTMENT.

- HISTORY AND PROSPECTS OF FABRIKOID INDUSTRY -

This account of the duPont Company's investment in the manufacture of coated textiles is presented in response to the Finance Committee's resolution of October 17th, requesting, at the outset of the new period inaugurated by the recent change in form of management, that a summary be made of the past history and present outlook of this industry. The aim has been to set down in order the most important facts with respect to—

1. The Company's entrance into this field and the successive steps by which its present holdings have been acquired;

2. The financial results of the enterprise to date; and

3. The present status and future outlook of the business, and the policies now to be followed.

1. ACQUIREMENT OF BUSINESS; CORPORATE RELATIONSHIPS:

In 1908, in anticipation of a falling off ~~in~~ the Government's orders for smokeless powder, study was begun of the artificial leather industry as offering a possible outlet for substantial quantities of guncotton. At that time the manufacture of pyroxylin coated fabrics was only about eleven years old in this country, and the combined output of all American producers was estimated at less than a

million yards a month. Our investigation, which was continued through the following year, indicated that the field was a promising one, with good opportunities for expansion, particularly in making the heavier and better grades of goods, where the nitro cellulose consumption would be large; and in addition to its commanding position with respect to this essential material, it was believed that the Company's superior methods of solvent recovery

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would give it an important advantage as a manufacturer of artificial leather.

Accordingly, in 1910 negotiations were entered into with the Fabrikoid Company, of Newburgh, N. Y., the largest and reputedly the most progressive and successful of the half dozen producers in this country, and on July 20th of that year an agreement was signed under which three weeks later the entire assets of that company were taken over in exchange for $1,195,000. in duPont securities. This price was arrived at on the principle of capitalizing the 1909 earnings on a 20% basis, the purchaser getting the benefit of the increment in net worth from January 1st to July 20th, 1910, as well as the assets on which the previous year's earnings had been made. The securities transferred in payment of the purchase price were in the proportion of five shares of the preferred stock of the Powder Company to two shares of its common stock and three hundred dollars of its 4½% gold bonds, all taken at par; and the market value of these securities was very close to the agreed purchase price, being, according to recorded sales of near the same date, $1,198,275.

Previous Earning Capacity:

According to our audit made at the time of this purchase, the net earnings of the Fabrikoid Company for the year 1909 had been roundly $236,000., while the average "investment in manufacture" (average of beginning and end of year figures, determined according to the standard practice of the Treasurer's Department by excluding the item of $236,000. for patents and good will and making no deduction for the $94,000. of payables) was $652,000. The "return on investment", therefore, as that term is used in the E. C. Series Charts and in the tabulations given in a later section of this report, had been roundly 36%; or 20% on the value of the securities given in payment of the purchase price. From July 10 to August 20, 1910, while the purchase was being consummated, it was estimated

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that profits were accruing at the rate of $800. a day, from which it would appear that substantially the same rate of earnings was being maintained.

Pluviusin Alliance:

In October, 1913, the Company's Fabrikoid interests were separately incorporated as the DuPont Fabrikoid Company, and a one-sixth interest sold to the Winterbottom Book Cloth Co., Ltd., owners of the British Pluviusin Co., Ltd. The original total capitalization of the DuPont Fabrikoid Company was $1,800,000, closely corresponding with the actual cost of the enterprise to that date; and the price received for the one-sixth holding sold the Pluviusin inter-

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ests was $200,000, that being one-sixth of the value of the net tangible assets of the duPont Fabrikoid Company and a reciprocal purchase of one-sixth of the capital stock of the Pluviusin Company being made at the same time by the duPont Company for a price similarly arrived at. Very valuable manufacturing information was obtained from the Pluviusin Co., as a result of this transaction.

Until its dissolution at the end of 1920, all manufacturing interests of the duPont Company in this general field (rubber—as well as pyroxylin-coated textiles) continued to be held through the duPont Fabrikoid Company, functioning as a separate corporation though under close duPont control. Under the policy of expansion which was followed, the original capitalization was increased in 1914 to $3,000,000. and again in 1916 to $5,000,000, halt common and half preferred. As the cost of this expension was not borne proportionately by our British associates their share of the ownership decreased from the one-sixth at the outset to 8.8% of the common stock and 4.2% of the preferred prior to their final complete withdrawal in 1920.

Canadian
Fabrikoid:

In February, 1914, in order to get access to the profitable Canadian market without the burden of the 35%

import duty exacted, the entire business and assets (except buildings, which were leased) of the Cotton Manufacturing Company, of Toronto, the leading Canadian producer of artificial leather, was bought by the duPont Fabrikoid Company for $66,852. In 1916 the business and assets of the

Peerless Leather Company, of Kitchener, Ont., were bought for $23,086 and merged with the Canadian branch of the business.

Fairfield
Purchase:

On June 13, 1916 ~~1061~~, the duPont Fabrikoid Company bought the entire capital stock of the Fairfield Rubber Company, of Fairfield, Conn., successful producers of rubber-coated fabrics in large volume for automobile and carriage tops and other uses, having as their chief customer the Ford Motor Company. The principal incentives to this purchase were the demonstrated profitableness of the business, the advantage of rounding out our line of offerings to the automobile trade, and the economies in manufacturing and selling expense logically to be anticipated from the addition of a large volume of new business of closely kindred nature. The price paid was $600,000. based on net tangible assets of at least $500,000. and on current and average past earnings of $100,000. a year. The Fairfield corporation was promptly dissolved and the entire business taken over at once as a separate activity of the duPont Fabrikoid Company.

Purchase of
Marokene Co.

In January, 1917, in order to secure some four hundred thousand yards of promptly available gray goods and to get temporary additional capacity for a volume of business which considerably exceeded the existing facilities, the du-

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Pont Fabrikoid Company bought out the artificial leather business of the Marokene Company, located at Elizabeth, N. J. The purchase price of $170,342. was balanced by raw materials worth at current market values roundly $140,000. and machinery and fixtures having an estimated replacement value of roundly $30,000. No real estate nor long-term lease was bought, the nearness of the plant to a residential section making the location undesirable for more

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than temporary manufacturing uses; and in the same year manufacture at Elizabeth was discontinued and the equipment and remaining stocks were transferred to Newburgh.

Sale of Canadian Branch:

On September 30, 1919, the entire assets and business of Canadian Branch were sold to the Canadian Explosives, Ltd., thus ending any direct participation of the duPont Company in the Canadian field. This sale was effected on a net asset value basis, the tangible net assets transferred amounting roundly to $1,200,000. The good will value of the business was estimated at $462,500, and an additional payment of 8.8% of that amount (proportional to their share of Fabrikoid Common stock) was made and transmitted to the Pluviusin interests, but on mutual considerations apart from this particular transaction no payment for good will was exacted by the duPont Company.

Withdrawal of Pluviusin:

In 1920, the Explosives Trades Ltd. having bought out the British owners of Pluviusin, negotiations were begun

by them for a mutual re-exchange of Fabrikoid and Pluviusin securities, by which the American and the British enterprises might be brought exclusively under the duPont and Nobel ownership respectively. Before the end of the year a deal was consummated by which the entire Pluviusin holdings of 1050 shares of Fabrikoid debenture stock and 2200 shares of common were bought back by the duPont Company at par and 200 respectively, this being in accord with the then asset value.

Present Owership and
Corporate Status:

The reason for a separate corporate entity having thus ceased to exist, the duPont Fabrikoid Company was, at the end of 1920, dissolved and the ownership of all its properties vested directly in the duPont Company. It will be seen that the final net result of all the steps above recorded is that the duPont Company now oens exclusively and holds

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directly the two separate but kindred enterprises located at Newburgh, and at Fairfield.

2. Financial Results to Date:

The net results of the duPont Company's exploitation of this field up to the present time may be concisely told in the following tabulations, for which the necessary data has been taken from the E. C. Series Charts of the Treasurer's Department. In interpreting these figures it must be borne in mind that they have been made up rather from the Fabrikoid Company than from the duPont Company

standpoint. They do not accurately reflect investment and return on investment for the duPont Company, first because of the standard Company practice here applied of considering "Investment in manufacture" to include only tangible assets (in consequence of which, for example, the 1910 "investment" was considered as being only about $740,000. although the Company actually paid for the business securities worth roundly $1,200,000) and second because of the Pluviusin ownership (in diminishing proportion as shown above) of part of the investment and earnings shown.

First, viewing the entire industry as a unit, the composite results of the Newburgh, Toronto and Fairfield enterprises together, for the entire time they have severally been under duPont control, have been as follows:

Year	Avg. Total Investment in Mfr.	Gross Sales	Net Receipts	% return on investment
1911	883,475	704,559	4,634 *	.52 *
1912	1,079,007	941,308	50,462	4.68
1913	1,487,540	1,363,233	164,583	11.06
1914	1,720,800	1,396,655	159,694	9.28
1915	1,850,837	2,982,059	399,991	21.61
1916	3,664,724	5,208,367	771,778	21.06
1917	7,300,860	7,538,556	799,324	10.95
1918	8,164,046	6,013,390	538,889	6.60
1919	8,702,427	10,144,077	1,373,345	15.78
1920	10,537,261	11,544,412	3,460,292 *	32.84 *
1921	7,100,000	3,661,000	1,650,000 *	23.00 *

* Red figures.

The figures shown for 1921 are arrived at by combining actual results for the first nine months with the No. 4 forecast for the last quarter. The indicated net loss in-

cludes a prospective write-down of inventories at the end of the year of roundly $300,000.

For the nine years from 1911 to 1919 inclusive the average annual turnover, as shown by the above figures, was 1.04 and the average return on investment was 12.2%. The extremely adverse results in 1920 were due mainly to the disastrous drop in the value of stocks on hand, the write-down taken by this industry at the close of the year being $3,606,847. Of this, roundly $3,200,000. was in grey goods, of which in the face of an extreme stringency among the mills necessitating advance orders in the early part of the year, liberal provision had been made for business which in large measure failed to materialize or was cancelled. Even without this write-down, however, the year's business would have shown a profit of only $146,555. or 1.35% on the manufacturing investment, owing to the failure of sales expectations throughout the year to be realized and to the collapse of business, particularly in the automobile trade, over the second half year, involving a great volume of enforced postponements and abandonment of more or less firmly established contractual obligations.

The adverse result for 1921 is due to a continuation of the same general causes. On a large volume of 1920 gray goods purchases, where that appeared to be the best way out, postponements of delivery to 1921 were secured; and as these goods have come in their values have been promptly written down to approximately the current market.

A further adverse factor, arising mainly from the wide disparity between actual and normal or expected volume of sales, has been a high rate of selling expense. In 1920 this item amounted to over 7% on total gross sales, and for the first nine months of the present year to near 16%, against a fair normal of probably five or six per cent for

a large volume business of this nature. An important element of this high selling expense during the past two years has been the largest proportion of main office and branch office Sales Department overhead in comparison with the

direct selling cost—a burden which should be greatly reduced under the new plan of organization as indicated below.

Separate Showing by Branches:

Disregarding Toronto and considering only the two branches which now constitute the Company's coated textiles industry, the above tabulation may be split up as follows, the 1911, '12 and '13 figures for Newburgh being those given in the composite statement above:

NEWBURGH

Year	Investment	Sales	New Receipts	% Return
1914	$1,653,335	$1,358,661	$159,854	9.67
1915	1,693,096	2,650,973	338,387	19.99
1916	3,073,376	4,101,777	534,928	17.22
1917	5,245,018	4,884,565	438,270	8.36
1918	5,519,281	4,326,077	586,736	10.63
1919	5,394,670	6,313,339	1,091,086	20.23
1920	6,755,438	8,252,718	2,668,800 **	35.51 **
1921	4,200,000	2,019,000	1,254,000 **	30.00 **

FAIRFIELD

Year	Investment	Sales	New Receipts	% Return
1916	279,493*	501,844	65,290	10.23
1917	1,063,932	1,615,982	99,022	10.84
1918	1,135,905	721,048	165,767 **	16.75 **
1919	2,146,864	2,609,733	2,284	.14
1920	3,781,828	3,291,694	791,492 **	20.93 **
1921	2,900,000	1,642,000	396,000 **	14.00 **

* This figure has been put on an annual investment basis by multiplying the full amount invested by the fraction of a year for which it was used.

** Red figures.

Explanation has already been made of the disastrous results of 1920 and 1921 operations. The adverse results for Fairfield in 1918 and 1919 were due to heavy losses on long-time contracts made with the Ford Motor Company, followed by the general war-time increase in manufacturing costs and by a sharp advance in the price of cotton and of cotton fabrics, against which we were not protected.

3. PRESENT STATUS;
OUTLOOK; POLICIES:

With respect to present and immediate future conditions, the situation is broadly indicated by the final lines of the above tabulations, showing a prospective net loss on the

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current year's operations of $1,650,000., in which is included a forecasted write-down of $300,000. to bring inventories at the end of the year completely down to a replacement basis. With respect to outlook and policies, a discussion in considerable detail is given in the initial monthly report of the Cellulose Products Department to the Executive Committee, dated October 17th (E. C. number 6551). For the present purpose it is thought sufficient to add the following bried summarization of what appear to be the most important facts.

Chief Recent
Developments:

From January to August, a net reduction in investment of roundly 35% has been effected as follows:

	Jan. 31	Aug. 31	Reduction	% Reduced
Permanent Investment	$2,1[illegible]0,453	2,262,914	82,461*	3.8 *
Working Capital	5,632,012	2,674,516	2,957,496	45.2
	7,812,465	4,937,430	2,875,035	36.8

* [illegible]

Gauged by the current rate of consumption, however, a large excess of stocks remains to be liquidated, either by gradual consumption or disposal or by an increase in volume of manufacture, as is evident from the following showing for August 31st, in considering which it should be borne in mind that since all standards for stocks are expressed in terms of monthly requirements any increase in volume would automatically increase the standard allowance and reduce the excess without any change in the absolute investment:

	Standard Invest. for Forecasted Consumption	Value of Actual Stocks	Excess
Materials & Supplies	$215,915	1,836,828	1,620,913
Finished Products	101,104	191,188	90,084

In September, Newburgh operated at approximately 22½% of capacity and Fairfield at 25%. This represents some improvement over the earlier months of the year, and while there is no indication of any near return to what are believed to be normal conditions, it appears at least that the present tendency is definitely upward. A policy of retrenchment in manufacturing, sales, chemical and service personnel has been rigorously carried through, and both plants

are now carrying only what are regarded as skeleton organizations.

Grey Goods
Situation:

Inasmuch as the crucial item of working capital investment for this industry is the fabrics required for coating, it appears worth while in this connection to consider somewhat more in detail our present position with respect to that commodity.

Our present total investment in grey goods, on hand and enroute, is roundly $1,100,100. According to market quotations of September 22nd, the replacement value of these goods is $805,000. In addition we have on contract for near future delivery 630,000 yards, at contract prices aggregating $129,000. On these goods the present replacement value indicates a margin in our favor of $21,000.

The standard for total gray goods is one month's requirements. Comparing the value of present total stocks with the value of forecasted monthly consumption, it appears that as of October 1st there was an excess equivalent to 4½ months' requirements. It must be borne in mind, however, that this method of comparison, while perhaps the only practicable one in a condensed treatment of this nature, does not adequately portray the situation; for the several varieties of fabrics are not interchangeable and the ultimate facts are that there is little or no excess in certain construction while in others the excess exceeds the average figure just given.

Competitive
Situation:

Viewing briefly certain broader aspects of the situation, it is evident that the future outlook is not one of easy success.

The present total manufacturing capacity for coated textiles in the United States is probably five times the present consumption and there appears to be no prospect of demand again approaching capacity in the near future. Under the stress of recent adverse conditions, any former disposition toward mutual helpfulness among the manufacturers appears to have given way to the spirit of every man for

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himself, and there is now little or no inclination to cooperate. Competition is fierce and, it appears in many instances unintelligent. Losses of the same character as ours if less in amount appear to have been general, and two of Fabrikoid's chief competitors are now in the hands of receivers. In short, the outlook appears to be for a long future period of vigorous competition, in which reliance must be had for profits upon superior efficiency in purchasing, production and sales. On the other hand, the industry may unquestionably be said to be fundamentally a sound one, offering a product of large usefulness for a variety of further manufacturing enterprises which cater to permanent human needs; capable probably of further great expansion; and no doubt holding out satisfactory future rewards to those manufacturers who in the struggle of competition prove themselves fit to survive. There would appear to be no necessary or permanent reason why the duPont Company should not continue in this field on at least an equal footing with any other manufacturer.

Present
Policies:

It would appear natural that we should secure a large amount of the business of the General Motors Company.

This is, however, not the case, as we are placed by them in severe competition, and not always equal competition. By this we mean that during recent months we have been in competition with concerns in receivers' hands, who are willing to take business at most any price.

For a description of certain important changes, reference is again made to the recent Executive Committee report described above by date and number. The nature of these changes may be briefly stated as follows:

1. Concentration at the plants of all the personnel and routine necessary for effectively carrying on the business.
2. Removal of general sales department activities to the plants, thus insuring close contact between manufacture and sales, with resultant economies of time and expense and improvement in service to customers.

3. Withdrawal from all branch sales offices save Detroit.
4. Issuance of all invoices henceforth at Newburgh in the interest of greater directness and expedition.

Special Economies
in Prospect under
New Organization:

It is confidently expected that the consolidation into one compact organization of the manufacturing, sales, chemical and service activities of this industry will result in very

substantial savings. Of these gains perhaps the greater part will come from the increased efficiency and promptness of action which should result from the closer relations and unified control of the several departments of the business; and of that advantage it would be very difficult at this time to make any close appraisal. Certain definite economies in the direct cost of the necessary sales, chemical and service work are in prospect. Figures are now being prepared which will be available in the near future showing direct results in reduced expense.

/s/ R. R. M. CARPENTER.
GENERAL MANAGER.

Note. "Executive Committee Secy's. No. 6663" is stamped at top of first page of document but has been crossed out. Also stamped at top is "Received Nov. 12, 1921 M.D.F."

Government's Exhibit No. 107

Serial No. S-606
May 27th 1916.

Executive Committee,
Building.

Gentlemen:

FAIRFIELD RUBBER COMPANY

Attached will be found a report on the Fairfield Rubber Company.

Owing to the late date on which this report is presented to you it may be that you will not care to render a definite decision at the meeting Monday. It so happens that W.S. Carpenter, Jr., who is conversant with this subject, is planning to be out of town on Wednesday of this week and for this reason it is requested that at the Monday meeting this subject be taken up and discussed, calling on W. S. Carpenter for assistance, if desired, and that a subsequent meeting be arranged for Wednesday, at which time a decision can be reached.

The reason for the haste in this matter is because, in accordance with the custom of the Fairfield Rubber Company, they expect to send out their new price list for the last six months of this year on June 5th and it would be of material advantage for us to acquire this company before that date, if at all, in order that the commitments may be made in accordance with our own ideas.

Yours very truly,

[stamp] R. R. M. Carpenter
VICE PRESIDENT

L.

To Executive Committee — Serial No. S-606.

From Development Department. — May 26th, 1916.

FAIRFIELD RUBBER COMPANY.

Several weeks ago Mr. J. K. Rodgers, of the Fabrikoid Sales, was advised by Mr. H. H. Barnard, of the J. H. Lane Company, that the present owners of the Fairfield Rubber Company would be interested in considering the disposal of their porperty. Ostensibly Mr. Barnard's interest in bringing this matter to the attention of the duPont Company was owing to his hope that, should we acquire this business, they could expect to secure the cotton cloth sales for the entire production, whereas, at the present time the purchases of the Fairfield Rubber Company are distributed among two cotton houses.

Soon after this matter was referred to this Department a meeting was arranged with Mr. A. C. Wheeler, who is one of the three stock holders in this concern, at which time the advice of Mr. H. H. Barnard was confirmed, and accordingly Mr. F. H. McCormick, of this Department, and the writer visited that plant yesterday and the purpose of this report is to describe the proposition which has been made to us in the form of a firm offer.

The Fairfield Rubber Company is a manufacturer of rubber coated cotton cloth which is used more particularly at the present time for automobile and carriage tops. In fact, it is a direct competitor in the field of our "Rayntite", but is a heavier material and is made by rolling a mixture made up of reclaimed rubber, whiting, litharge, sulphur, etc., on to the cotton cloth and later vulcanizing.

The plant of the Fairfield Rubber Company was established in 1880 and is located at Fairfield, Connecticut, a

small town about five miles from the center of Bridgeport, Connecticut.

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The plant is located on the New Haven Railroad and ships from Fairfield Station, which is a very short distance from the plant and to which their goods are hauled by team.

The exact area of the property of the Fairfield Rubber Company was not learned, but it is thought to be from six to eight acres, of which but about one-half is covered by the present plant.

The main building of the plant is of frame construction but the boiler house, store rooms and varnish mixing rooms are of substantial brick construction. Exact data regarding certain phases of the investigation was not obtained inasmuch as the owners preferred not to create any suspicion on the part of their present force by endeavoring to secure this data. This is true regarding the area of the property as well as the size of the buildings.

It is estimated that the main building is about 200 feet long and probably 30 to 40 feet wide and is divided at various points by fire walls. In this building is located the various incorporating rolls, as well as the calendar rolls, of which there are two, for the combination of the rubber mixture with the cloth and also various embossing rolls. There are also heating chambers in this building for the purpose of drying the material before shipment.

The boiler house complete is new, being constructed within the last two years. The store house and varnish mixing and cement houses are of good substantial brick construction.

There is also on the property a first class frame house which is used as the superintendent's building. In addition

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there are stables for the two teams and wagons which they use for carting their material to the Station and also a good size garage, which houses the machines of the officers, as well as a small truck for the use of the works.

The President of the Company is Mr. Harral, and the other stock holders are Mr. A. C. Wheeler and Mr. William Wheeler, together with the Wheeler interests. Mr. Harral is a brother-in-law

of the two Wheelers, who are brothers. The writer was extremely well impressed with Mr. Harral and Mr. A. C. Wheeler, with whom negotiations were carried on. They are both fairly well along in years, Mr. Wheeler probably being over sixty and Mr. Harral over seventy, and are apparently very well off financially.

The principal business of the Fairfield Rubber Company is the manufacture of rubber coated cloths for automobile and carriage tops. Of recent years the Ford business has constituted the largest factor of their business and at the present time constitutes probably 60% of their total business. The Ford material is used on the flat part of the Ford tops, which receives the hardest wear. The rounded sides of the Ford top are made of a cheaper material inasmuch as that does not receive the hard wear which the top does.

In addition to the Ford business they sell to some other automobile manufacturers, but their sales are very largely through jobbing houses, and they are not acquainted as to just who uses their material.

They have had practically no selling force. Their sales were originally made by their President, but of late they have had one salesman who visits the various customers

more for the purpose of inquiring as to the satisfaction of the goods than for the purpose of selling. Their advertising is comparatively small, and is made up of advertisements in a few of the trade magazines.

The organization of the Company is made up of Mr. Harral, the President, who apparently shoulders most of the responsibility, Mr. A. C. Wheeler, who gives but a portion of his time to this, spending the balance of the time playing golf; and the office at the works is made up of one bookkeeper and secretary, one chief clerk and the son of Mr. Harral, whose duties, according to Mr. Harral, have been very meager.

The plant is operated by a Mr. Hotchkiss, who is the Superintendent. The Assistant Superintendent is that in name only.

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and merely acts as such during the absence of Mr. Hotchkiss, at other times being the operator of the large calender.

The force at the works is made up of about 80 or 90 men. They have heretofore been operating on a ten hour schedule, but have recently changed to nine, and of late months have been working up to eight and nine o'clock at night. Apparently from the description of Mr. Harral, the labor is very well satisfied and were extremely appreciative of the recent increase in wages.

The exact record of the yards sold during the recent period of years was not obtained as this was part of the information for which they would have been obliged to call upon the assistance of their force, but it is estimated to be in the neighborhood of from two and one-half to three million yards per annum. The sales value amounted to in the neighborhood of $900,000 per annum.

The profits, as well as the dividends paid, are set forth in Exhibit "A". It will be noted that practically all of the earnings have been paid out in dividends. This is owing to the fact that they did not care to expand their operations. They have had the expansion under consideration for some time, but owing to the age of Mr Harral they did not care to assume any further responsibilities. If the average earnings of the years 1911 to 1915 are considered as representative of earning capacity, it will be found that the average earnings amount to approximately $100,000 per year. The price at which the verbal option on the property is now held is $600,000, so that the earnings of $100,000 show a return of about 16⅔% on this purchase price.

It is quite probable that if this company were taken over by the Fabrikoid Company certain charges made principally for administrative, sales and main office superintendence/would be materially increased, but, inasmuch as the Fabrikoid Company has at the present time an administrative, operating and sales force which is capable of handling the business and operations of the Fairfield Rubber Company without more than a nominal increase in expense, this increased charge would be a bookkeeping charge only, with the

possible exception of certain accounting, which would probably be kept by the Fabrikoid Company in a more complete form as it is believed that the accounting methods at present practiced/by the Fairfield Rubber Company would be considered very crude by this Company.

If, however, these administrative and main office charges should be increased ona basis comparable with those of the Fabrikoid Company the following would result:—

ADMINISTRATIVE:

2% on gross sales on $900,000	$18,000.
Main Office Sales .55% on $900,000	5,000.
Main office superintendence (Fabrikoid heretofore charged $15,000 per annum) say, ...	5,000.
Total Administrative	$28,000.
At the present time Fairfield Co. pay to their President, Vice President and bookkeeper, say, ...	8,000.
Increase in administrative, main office sales and operating	$20,000.

If this should be charged against the earning capacity of the Fairfield Company it would reduce the net earnings to $80,000, the purchase then being on the earning basis of 13⅓%. It does not seem too optimistic to believe that the value received by the Fairfield Company from the duPont main office will considerably more than off set the charges above and would probably materially increase the volume of business. It is also more than probable that it will be considered advisable to materially increase the capacity of the plant is a very short time.

On Exhibit "B" is set forth the statement of assets and liabilities of the Fairfield Rubber Company as of January 1st, 1916. No statement of conditions has been made since that date and they did not care to make any claims for the earnings during the period since January first. Since January first a dividend of $17,500 has been paid, and they expect to pay before the consummation of any transaction with us an additional dividend of $17,500, so that the net assets as of January first should be reduced by the amount

of $35,000, but if the earnings have been equal to the average of the last five years,

and there is no reason to believe that they will be less than that, inasmuch as the plant has been running to capacity of late months there should be added to the net assets, say, 5/12 of $100,000 or say, $40,000, or roughly sufficient to off set the amount of the dividend. The following remarks are made regarding the statement:—

The real estate, machinery and tools are placed at $118,000. It is the belief of Mr. Harral that the value of these items is today not less than $200,000, and it is thought by the writer that it is certainly not less than $150,000. Considering the very conservative type of men it is thought that in making the improvements to plant much has been charged off against cost, which might rightfully have been capitalized. Also there has been charged against cost each year an amount equal to 10% on the machinery item. This has been deducted from the machinery and tools capital account. Attention is called to the very large item of cash on hand amounting to $107,000.

There is an item of about $120,000 for the stock of cloths on hand as of that date. While the amount of cloth on hand at the present time is not known, the store rooms of the company are all well filled with rolls of cotton so it is quite probable that the stock of cotton on hand to date is as great, if not greater, than on January first. This cotton is included in the inventory at cost or less, according to Mr. Wheeler, and as the price of cotton has in the last couple of years increased from in the neighborhood of ten cents up to nineteen cents, there is no hesistancy in accepting

their statement that much of their present stock of cloth is included in the inventory at well below present prices. It might be mentioned here that they have still to be delivered on a cotton contract at least one million yards of cloth averaging in price about 12½ cents against present prices of 17 cents for this grade so that this cotton contract is worth in itself about $45,000. All of the finished product included in the inventory is priced at cost or less.

While little is known of the Accounts Receivable item

of about $120,000 among the assets, Mr. Harral explained that many of the customers which they now have on their books have been on for a great many years, and they feel that their accounts payable are worth 100 cents on the dollar. In the list of the various debtors whose names make up the item of $120,000 the Ford Motor Company amounts to $84,000 or about 75%.

It will be noted that there are no accounts payable. This is typical of the type of men as they advised that they never leave the office on the week end until their outstanding accounts have been paid.

The item of bills payable of $7,300 was accepted of Mr. Harral's son as a loan, and was done as a convenience to Mr. Harral, Jr., and serves merely as an investment for him.

The profit and loss account as of the year 1915 is also included in Exhibit "B". It will be noted from this that the cost of their selling expense is about $5,100 and is made up merely of the salary of their one salesman plus his expenses. As before referred to, while the expenses of the Fabrikoid Company would probably be considerably greater than this amount, these additional expenses should be expected to show a corresponding result in the earnings.

X

The present status of the Fairfield Rubber Company is that on July first most of the contracts which they now have expire. It is the expectation of Mr. Harral to circularize his trade on June 5th, which is the first Monday in June, with their new quotations. While the discount from list on sales for last year amounted to 60-10-5-5 off, it is their present plan to quote not more than 60 off list except to the Ford Company, who will be allowed 60 and 5.

While the Fairfield Rubber Company has usually taken orders for one year in advance they planto quote merely for six months this time, owing to the general unusual business conditions.

It is owing to the fact that Mr. Harral considers it necessary to circularize the trade on that date that it seems very

to use our own ideas as regards future prices.

It is understood that practically the only order which the Fairfield Company now has for deliveries beyond July first is a new order recently accepted from the Ford Motor Company. This order was for 2,100,000 yards for Ford tops. This was taken at a price of 60 and 5 off list which means an increase in price over their last contract of nine cents per yard for 1,500,000 yards and thirteen cents per yard for 600,000 yards, or a total additional price for this quantity of $213,000. As they do not keep accurate cost sheets it is necessary for them to largely estimate the price at which to quote and Mr. Wheeler believes that this increase in cost to Ford will appreciably more than offset their increase in the cost of production. It is thought that their rubber will not cost in excess of $60,000 more on this order

than under previous prices, and if we consider that their average increase in the price of cotton is five cents per yard, or $105,000, this would make but $165,000 increased cost of the principal materials on this order as against the $213,000 increase in price.

While Mr. Wheeler did not care to go on record as to the future of the business, he did say that he believed the year commencing July first would be the best year that they have ever had.

The competitors of the Fairfield Rubber Company are L. C. Chase & Company, The International Rubber Company, Acme Tire Company, Empire Tire Company, United States Rubber Company and the Hodgeman Rubber Company.

The L. C. Chase Company and the Hodgeman Company it is understood make a very satisfactory product, and according to Mr. Rodgers make the only product which competes directly in quality with the Fairfield Company. The International Rubber Company belongs to Mr. O'Bannon, formerly of the O'Bannon Company, and it is said that their product is not a satisfactory one. The Acme and Empire Tire Companies, according to Mr. Harral, have a small production and the

United States Rubber Company is a new producer in that line.

Mr. Harral advised that there is no agreement whatsoever as regards prices, though a tacit understanding did formerly exist, but at the present time Mr. Harral is very friendly and thinks a good deal of the principals in the Chase, Acme and Empire Companies. He spoke of them

and more particularly of the Chase Company in the very highest terms.

Mr. Harral further advised that while they had had but two or three pieces of their product returned from Ford on account of defects, that the International Company have recently been obliged to take back eight carloads of from 1500 to 1700 yards each owing to poor quality.

The trade in which the goods of the Fabrikoid Company are used has not been as carefully investigated as would be the case ordinarily owing to the fact that the Fabrikoid Company has for a number of years been actively operating in that same trade. For this reason it was felt that an expression of opinion by the Fabrikoid Sales would be of more value than any analysis that could be made, especially in a short time, by this Department. X

As Exhibit "C" is given a letter from Mr. Rodgers in reply to my request that he state all the pros and cons. It will be noted that Mr. Rodgers confirms what has been said above regarding the negligible increase in sales expense to handle this product.

A letter from Mr. Kniffen is incorporated in this report as Exhibit "D". It is interesting to note that while the Ford Company is conversant with our single texture fabric, which is advocated by us for top material, the Ford Company placed their order for over two million yards covering deliveries over a period of fourteen months from July first with the Fairfield Company. The Fairfield people received a letter from Mr. Deal, Purchasing Agent of the Ford Company, expressing in the highest terms his appreciation of the very pleasant business relations which have existed between the Ford Company and the Fairfield Company. The writer understands from our

own people here that Mr. Deal is not at all given to flattering, and therefore, this letter is of particular interest to us. It might be added that while this letter was not seen by the writer it is this together with everything else which was spoken of by the Fairfield people believed to be the actual situation, but as this is the case with all other information, figures, etc., they can be confirmed before closing any contract with these people.

It is the belief of the writer that if the real estate, machinery and tools of the Fairfield Company are included at a fair appraisal value and if the merchandise, particularly in the form of cloths on hand, is marked up to more nearly its present value, that the net assets of the Fairfield Company as of January 1st, 1916 would amount to at least, and quite probably more, than $600,000. Also while figures of earnings since January first are not available there is no reason tobelieve in so far as we know why earnings should not amount to at least the $35,000 paid and to be paid to the present stock holders. If this is correct, and in any event it cannot be far from correct, a purchase of this property at $600,000 would be a purchase on the basis of their assets.

Attention is called particularly to the fact that this purchase will be one very largely of liquid assets, the total net quick amounting to about $400,000 or 66% of the total price of $600,000, and also it would be noted that over $100,000 is in cash which seems an unnecessarily large amount of r (sic) a business of this size. If this is reduced by its partial disbursements to the new stock holders the earnings will yield a correspondingly higher percentage return on the investment. It is further quite possible that inasmuch as the Fairfield plant operates on much the same class of cotton goods

that does Fabrikoid that the amount of cloth in stock could be reduced.

It is further the opinion of the writer that if the Fairfield Company, operating as at present, has been earning an

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average of $100,000 per annum that the Fabrikoid Company in spite of possible increase in administrative and sales expense will be able to show net earnings of at least that amount, and more probably will show a considerably greater amount owing to the fact that they will undoubtedly be able to increase sales to an extent which will warrant materially increasing the present capacity. As this $100,000 is equivalent to a $16\frac{2}{3}\%$ return on the investment if purchased at $600,000, the Fabrikoid Company should expect to maintain a return on the investment of that amount.

While it is possibly a rather bad feature to have so much, probably 60%, at present of the present capacity of the plant going to one customer, there is no good reason to believe that such should be the case long if the Fabrikoid Company should take over this company and with their salesmen increase the volume of business and increase the number of large buyers among the present customers of the Fabrikoid Company.

In view of all that has been said it is the recommendation of the writer that this Department be authorized to purchase for account of the du Pont Fabrikoid Company the entire $35,000 outstanding capital stock of the ~~Fabrikoid~~ Fairfield Rubber Company at the price of $600,000, at which price a verbal option is now held by this Department, this price to be provided that it can be substantiated by investigation by our accountants that the earnings of the Fairfield

Rubber Company for the years 1911 to 1915 were not less than as set forth in Exhibit "A", and provided further, that it can be established upon investigation that the net assets of the Fairfield Rubber Company as of January 1st, 1916 were not less than $500,000.

PREPARED BY:

W. S. CARPENTER, JR. (Stamp)

APPROVED BY:

R. R. M. CARPENTER (Stamp)

NOTE: "X" 's in margin of document, pages 7 and 9, are hand-drawn.

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EXHIBIT "A"

	(1) EARNINGS	DIVIDENDS PAID	BALANCE OF EARNINGS OVER DIVIDENDS (4)
1909	244,729		
1910	155,623		
1911	85,405	87,500	2,095(3)
1912	149,106	140,000	9,106
1913	114,334	87,000	27,334
1914	64,497	87,000	22,503(3)
1915	95,700	70,000	25,700
1916	(2)	35,000	

(1) From this should be deducted about $1500 per year for bonus to employes.

(2) Profits to date this year not known.

(3) Deficit.

(4) The net increase to surplus during the years 1911-1915, according to this figure amounts to $37,542 less bonus allotments of, say, $7,500 = $30,042.

EXHIBIT "A"

EXHIBIT "B"

THE FAIRFIELD RUBBER CO.

January 1, 1916.

ASSETS & LIABILITIES

Real Estate		85,960.22	Capital Stock	35,000.00
Machinery & Tools		31,949.83		
Fixtures & Furniture		1,561.63		
Insurance		1,975.48	Bills Payable	
Expenses		2,970.67	C.D.& F.Harral	7,300.00
Bills Receivable		725.00		
Cash on hand		107,671.71		
Merchandise:				
Cloths	121,172.02			
India Rubber	29,573.58			
Chemicals	6,822.33			
		157,567.93		
Ducks & Drill		16,389.82		
Harral & Major Cloth		4,787.92		
Upholstering Cloth		1,821.62		
Clothing		976.86	Profit & Loss	491,939.74
Open Book a/c Debit		119,881.05		
		534,239.74		534,239.74

Exhibit "B"

PROFIT & LOSS A/C

Jan. 1st, 1915.

		Profit & Loss Bal. Jan.1,1915	466,368.10
		Duck & Drills	134,685.86
		Harral Cloth	1,442.63
		Clothing	1,709.04
		Interest	16,948.02
		Suspense	37.12
Upholstering Cloth	939.94		
Repairs	1,637.04		
Expenses	31,887.11		
Insurance	2,970.72		
Commission	196.22		
Salary	12,737.00		
Geo.W.Hurted Salary	2,600.00		
" " Expenses	2,559.48		
10% Machinery & Tools	3,550.00		
10% Fixtures & Furn.	173.52		
Dividend #44	35,000.00		
" #45	35,000.00		
Balance Profit & Loss	491,939.74		
	621,190.77		621,190.77

3097

EXHIBIT "C"

COPY

May 26, 1916.

DEVELOPMENT DEPARTMENT:

Attention Mr. W. S. Carpenter.

Referring to the matter of the proposed purchase of the Fairfield Rubber Company, concerning which you asked me to give you my ideas "pro" and "con".

I can think of absolutely no business reason against this, but many in its favor. The business is an old established one, the reputation of the goods being of the highest character, if I am not mistaken, Fairfield Rubber ranking higher than any other make, unless it be Hodgeman Rubber Co.

X Fabrikoid salesmen could sell the output of this factory, I think I am safe in saying, at no additional expense to us, and I believe this to be true with the Fairfield capacity double what it is at present. In fact, I think the increase in actual necessary Sales and Over-head expense, in case we should take on this additional business to handle, would be negligible, if it was handled through the present Fabrikoid organization, and I am convinced, from my general knowledge of the matter, that the present Fairfield business could be doubled in a year or two without much difficulty.

Rubber tops for automobiles seem to be giving very good satisfaction, and we have lost many good accounts on automobile top goods because of the lower cost of rubber. Therefore, to have this plant would enable us to get at least our share of this business, which should be large.

As to the margin of profit per yard on goods, you, of course, have the figures. Wish to suggest, however, that with the dye plant of our own, this could be added to quite materially, as we have thoroughly demonstrated already at Newburgh.

(sd) J. K. Rodgers.

JKR/EGC

Note: "X" in margin is hand-drawn.

Exhibit "C"

19

EXHIBIT "D"

COPY

May 26, 1916.

DEVELOPMENT DEPARTMENT
(ATTENTION MR. W. S. CARPENTER) (CONFIDENTIAL)

OUR FILE FO-385—FK

REFERENCE: Conversation of this morning as to how the manufacture of a line of rubber coated fabrics would fit into our present activities:

Excluding Combined Mohairs, we now have Double Texture catering to the high class vehicle top trade, and Single Texture Fabrikoid, catering to medium to low class trade. By the possession of rubber coated fabric we would be able to cover the entire field; when thinly applied the rubber-coated goods would provide the cheapest type of cover, and when more thickly applied they would satisfy that portion of the trade, such as the Ford Motor Company, which requires something better than the very cheapest but insists upon a greater weight and thickness in the finished goods than possessed by our present Single Texture Fabrikoid auto material. In short, the proposed addition would enable us to cover the whole field.

Identically the same gray goods are used for both the rubber and Fabrikoid and to quite an extent the same embossing equipment; with consequent possible pooling of stocks and plant equipment. Both are sold to the same class of trade.

The only apparent argument against the proposal lies in the similarity of the trade to which rubber fabric and Single

Texture Fabrikoid is sold. The two points of difference mentioned above explain why both are now sold side by side, but in actively pushing Single Texture Fabrikoid we are invading the rubber field and by far the greater part of the prospective advances by Single Texture Fabrikoid will be at the expense of rubber coated goods.

I do not think that the latter negative argument compares

EXHIBIT "D"

at all in force with the affirmative argument in the first paragraph regarding our covering the entire field.

Altho the vehicle top line is by far the most important to be considered, the same general arguments apply to other smaller fields. Cheap casings such as typewriter covers and even the cheaper forms of upholstery fabric show the same points of contact between rubber and Fabrikoid as do auto top materials.

One point of the situation which might be mentioned is that these rubber-coated fabrics being associated with the cheaper trades would not tend to enhance the advertising value of the duPont or duPont Fabrikoid name. How seriously such a sentimental consideration would react upon the other duPont or duPont Fabrikoid industries is a matter where the opinions of the Sales and Advertising Departments should be of more value than any opinion from the Operating Department. It would appear to the writer that the influence would be small.

(sd) F.KNIFFEN.

K.

FK/MR

Government's Exhibit No. 108

To Mr. Irenee du Pont — Serial No. S-512

From Development Department — April 17, 1914.

PROGRESS REPORT ON CELLULOID INVESTIGATION.

In a report recently compiled by this department on the celluloid investigation the results were set forth in detail. The object of the present report is merely to summarize the recommendations of that report and give a brief resumé of the findings subsequent to the date of that report, with a view of enabling the proper parties to express an opinion as to the next step to be taken.

In the preceding report it was recommended that should the Company desire to participate in the benefits of the celluloid business, inasmuch as the object of the investigation was to dispose of nitro-cellulose, of which the Company has at present an excess productive capacity, an attempt should be made to bring about this participation by developing one of the four following channels of entry, in the order named.

1. To approach the present celluloid companies with a view of supplying them with their nitro-cellulose requirements.

2. To build a celluloid plant for the manufacture of sheet celluloid.

3. To build a plant for the manufacture of sheet celluloid, combining to it a department for the manufacture of celluloid articles as an assistance in disposing of the sheets.

4. To acquire one of the present operating companies.

The results of the investigation to date are listed below.

FIRST: It is the positive conviction of this department that it will not be possible to supply any of the present operating celluloid companies with their nitro-cellulose requirements. The reasons for this can be briefly enumerated as follows:

—1—

Their plants compare farily well though they do not equal in amount of output that of the individual plants of this company, thereby enabling them to practice economies in operation with consequent reasonable costs of production and they believe that the margin of difference between their present cost and our selling price could not be sufficient to make outside purchases attractive.

They would sacrifice the perfect control and supervision of their product throughout its manufacture which they now enjoy.

Lastly, and most important, it would be almost impossible for this company to supply them with the product which they desire unless they would agree to instruct us in the details of the manufacture or the composition or character of their product. Inasmuch as they have been working for years upon the development of their nitro-cellulose they would not care to turn over the information accumulated for the benefit of another producer, especially as they probably would feel that later, should the duPont Company

have this information, it might decide to enter the celluloid business as a competitor of them.

In view of the above this department feels satisfied to drop further consideration of the subject from this standpoint.

SECOND: The success of the construction of a plant for the manufacture of sheet celluloid would depend largely upon the supply and demand of this product, as well as on market price and for this reason these phases are briefly discussed.

There are, at present, three large domestic manufacturers of celluloid and one smaller one. These are the Celluloid Company of Newark, N. J., Arlington Company of Arlington, N. J., Fiberloid Company of Indian Orchard, Mass. and the Viscoloid Companyof Leominster, Mass. The first three companies, which are the largest, have been operating for in the neighborhood of 30 years and have developed a very good business. The prices heretofore have been such as to result in exorbitant profits for these

companies, resulting in almost phenomenal development. These three produce sheets, part of which they manufacture into articles and part of which they sell. The last named has only a very small sale of sheets outside of five or six comb companies which they themselves control.

It is estimated that the total production of sheets amounts in pounds to about 8,500,000 per year. Of this amount there are sold as sheets about 4,400,000 pounds, the balance being manufactured into articles by the celluloid companies themselves.

In addition to this domestic supply imports are now being made by German and English companies. So far as

is known the only German company which is importing is the Rheinisch Gummi und Celluloid Fabrik and the only English company is the British Xylonite Company. While there are other German the above named is believed to be the only English company. The effect of imports is further discussed below.

The principal outlets for sheet celluloid are by sales to the automobile trade for automobile top windows and for the manufacture of hair ornaments and combs, advertising novelties, toilet articles and many other various articles, such as buttons, cutlery, toys, etc., together with a small amount for export. The consumption in the automobile business has not as yet been thoroughly investigated but it is planned to do so shortly. The hair ornament and fancy comb business has not, for the last four or five years, been very satisfactory, owing to the change in styles. This has resulted in many of the comb companies failing or liquidating, many times with quite an item on their books to the credit of the celluloid companies. Among the advertising novelty manufacturers there are some in very good financial standing.

The celluloid plant at Troisdorf had, when visited, a productive capacity of about 1,600,000 pounds per year. While making the investigation there it was said that they considered that the smallest plant which could be recommended for the most economical operation. Should a plant

of that capacity be installed by the duPont Company it would mean increasing the productice capacity of celluloid sheets, sold as sheets in this country, by 36%. An investment in a plant of this capacity would be a little over $1,000,000.00,

including Plant & Equipment, Finished Product, Raw Materials, Celluloid in Working and Accounts Receivable. About one-half of this investment is in Working Capital. As near as can be figured at present, the profits to be derived in this manufacture, considering the cost of production as estimated at Troisdorf and the present market prices in this country, would be from 10¢ to 20¢ per pound. If the plant could be operated to 75% of its capacity and produce 1,200,000 pounds and yield a profit of, say, 15¢ per pound, the return would be $180,000 per annum, or 18% on the investment. The amount of nitro-cellulose consumed in this production would be about 900,000 pounds per year or 3000 pounds per day.

In view of what is said below regarding the German product, these costs and estimates would have to be very carefully checked again.

The terms on which the celluloid sheets are sold to the small manufacturers, which convert them into articles of various descriptions, are extremely liberal, being about eighty (80) to ninety (90) days, with 2% discount. Inasmuch as many of these manufacturers can turn over their product inside of a week, the result is that the celluloid companies actually carry these small manufacturers for weeks. It is firmly believed that there is no price understanding among the celluloid companies but that the competition for the business is quite strenuous. The result is that these small manufacturers play one celluloid manufacturer against the other for better terms until the celluloid companies, in order to secure the business, are obliged to permit these small manufacturers to run up their accounts far beyond their financial standing. Theyoccassionally fail with

the resulting loss on the part of the celluloid manufacturer. Many of those who do not fail are so bound to the big companies that any attempt by them to secure their require-

ments elsewhere would, probably, be strenuously resented by the big companies who might even go so far as to call their credits which would result in embarassment on the part of the small manufacturers.

Each time that the question of a new producer entering the market has been discussed with these manufacturers they have asked what inducement there would be given to them to secure the business; that they have been given service to their perfect satisfaction for years by the present companies and they could see no reason for changing unless sufficient inducement could be given.

It seems to follow, therefore, the an attempt to secure this business, to be effective, would have to be made by offering inducements in the way of concessions in prices. For some of these small manufacturers to accept these terms would mean their embarassment; for others who are able to withstand the resentment of the big companies, it would mean that they would, probably, be offered even lower terms by the present companies. As it would be necessary to make a strenuous campaign to dispose of even 75% of the productive capacity of the plant above mentioned, it is believed this would result in the ruination of the business for the present companies, as well as for ourselves.

The market price of celluloid in this country has always experienced a gradual decrease; the product which some years ago sold for $1.35 per pound now selling for 60¢.

In time to come the increase in the demand in this country might be sufficient to gradually absorb the output of a new plant but this time will be even more remote, in view of the recent reduction in tariff which appreciably affects the importation of sheet celluloid, the reduction being from 40% to 25%. The effect of this is already being noticed by the importations of the above mentioned German and English firms. The latter is now installing a warehouse in Leominster, Mass., which is the center of the comb business, in order to better supply the trade.

—5—

There are some objections to the foreign product which it is believed will prevent it from making very great strides in this country, although they, undoubtedly, will secure a portion of the trade. These reasons are the following:

Among many of the consumers of celluloid sheets the product which they demand, in order to meet the ever changing styles in their product, varies continually and they are in the custom of ordering just enough material to keep them operating for a very few days, or even one day, in the case of some. If the foreign companies do not keep stores on this side the difficulties in offering this service to the consumers can easily be appreciated. Though the British Company is installing a warehouse, as mentioned, the capacity of this is estimated to be about $20,000.00 worth of stock, whereas the large companies maintain a stock of in the neighborhood of $250,000.00. As the colors of celluloid are extremely varied and as the thicknesses of the sheets are many and as he demand varies between wide ranges, it can be seen that ›r some classes of customers the present arrangement of

the British company will not be sufficiently effective. Another objection is that some of the companies hesitate to order their materials from an outside party when they are so dependent upon the present big companies for extension of credit. They also hesitate to buy from a newcomer, especially when he is a foreigner, unless they are offered some inducements to more than compensate for possible disadvantages. Again, the trying out of a new product is something that many of them hesitate to do. Those who have tried out the products find that of the British quite satisfactory, whereas that of the German company has not proved so to many. They claim that the material is not very stable, that it varies in thickness and hardness. Also inasmuch as the foreign product must pass the customs unpolished to secure the lower rate of duty, this is not satisfactory to some. Statistics show that increases in importations of celluloid since the new tariff became effective

—6—

have been quite appreciable. This, of course, is to be expected as these companies would, undoubtedly, attempt to accumulate some stocks in this country. Tt is thought, however, that these companies may hesitate to establish very large warehouses in this country, owing to the possibility of an increase in the tariff later, which is already being discussed.

To sum up the above, it seems highly inadvisable to launch out upon the celluloid business by the erection of a large plant. There is an alternative, however; that of erecting a small plant and entering the business in a modest way. This might be done as follows:

Detailed estimates, both regarding the investment required and the cost of production, which may be prohibitive in a small installation, shoud be obtained, possibly from our German friends at Troisdorf, adjustments being made for the higher cost of production necessary to manufacture a more satisfactory product, which our Troisdorf friends claim they are able to do, though admitting that their present product is somewhat inferior. With a small unit the Company could specialize in the manufacture of certain products, such as the transparent for the automobile business. This would have the following advantages:

The original investment would be reduced; the amount of stock necessary to keep on hand would be reduced owing to there being but very few sizes for this trade; the class of customers secured would be more stable and, therefore, it might not be necessary to grant such long terms of credit. After this had been worked out the Company could gradually work into other lines of manufacture, such as that of the products demanded by the large advertising novelties companies. From this the manufacture could gradually expand into new lines and eventually work up a general business and wide reputation.

THIRD: The addition of the Articles Manufacturing

Department could be best considered after the manufacture of sheets had been taken up. The Company would, at that time, be more familiar with the celluloid trade and the demands of the consumers, as well as the effect of the foreign competition which is being somewhat felt, owing to

the reduction in the tariff on manufacturing articles from 65¢ per pound plus 30% to 40%.

<u>FOURTH</u>: In considering the purchase of one of the present operating celluloid companies, the interest seems to, naturally, center upon one as the most attractive, namely, the Fiberloid Company. This for the following reasons:

The Celluloid Company and the Arlington Company seem both too large to start with, being capitalized at \$6,000,000 and \$4,000,000 respectively, the assets of the latter amounting to somewhat over \$5,000,000. Also the percent of the product which is converted into articles by these companies themselves is quite large, being about 50% of the total, from the best data at hand. This would necessitate more detailed manufacture, as well as a larger organization for the distribution of the product. The location of the Celluloid Company is hardly to be recommended, it being located in the city of Newark and almost entirely surrounded by residences. The possibility of danger, while heretofore not having caused any trouble, can be appreciated and, in fact, may some day necessitate the moving of the plant to a less populated district. At any rate, expansion would be more difficult with this location. While none of the plants have been entered, it is believed, from rumors, that the equipment of this company is not of the most modern, owing to the ultra-conservative character of the management. At least, most of buildings are very old. This cannot be said of the Arlington Company, however, who seem quite aggressive and have an excellent location with unlimited area for expansion and almost no residences in the vicinity. The stock of both of these com-

panies is held quite closely and inasmuch as the owners of

the latter especially are particularly sanguine as to the future of the industry, the purchase of the company at an attractive figure would probably be extremely difficult. The Celluloid Company pay 8% on their stock and the Arlington Company 4%.

The fourth company, the Viscoloid Company, have not a very good name in the trade; also they do not manufacture the higher grade class of goods which, it so happens, attracts the better customers. Even the product which they do manufacture has not a very good name and very little of the stock is sold as sheets. The reputation of this company, as well as the product, may be somewhat influenced by prejudice, owing to the fact that they own or control five or six comb factories who are direct competitors of the other independent comb manufacturers. This last feature is especially unattractive because the hair ornament business is a variable one itself and the ownership of these companies by the Viscoloid Co. would make it very difficult for them to sell their product to other comb manufacturers.

The Fiberloid Co. have comparatively recently, namely, in 1904, moved their plant from Newburyport to Indian Orchard, Springfield, Mass., at which time it is claimed the entire installation was of the latest type and the plant and operations planned to facilitate the easiest and most economical handling of their product during the manufacture. They claim to convert only about 30% of their total product into articles, their main object being to develop

their sheet business. According to the opinion of the trade, their product is very satisfactory, being on a par with that of the Celluloid or the Arlington Company. They own some stock in one comb factory, namely, the Yale Novelty Co. of Leominster, Mass,, but this does not seem to influence their sales to other comb factories. It is believed that stock was taken in this company ata time when the comb company was in difficulty and owed the Fiberloid Company a large amount of money for raw materials.

—9—

While negotiating with one of the Directors of this company in an effort to arrange for supplying them their nitro-cellulose requirements, the question was brought up of our buying the controlling interest in their company. Later this Director, together with one of the other Directors, in discussing the matter more at length, advised that they believed a controlling interest in the company could be acquired at a price which would yield 15% on the purchase price, though no positive assurances were given of their ability to do so.

The capitalization of the company is made up of $1,000,000, 7% accumulative Preferred Stock and $2,000,000 of Common Stock, both having the same voting rights. For this reason it would be necessary to acquire more than $1,500,000 par value of the stock. It was insinuated that the company is earning about 15% on their Common Stock so that the purchase of the controlling interest, if all in Common Stock, would mean something over $1,500,000.

The Common Stock is not quoted, inasmuch as not a share has changed hands since the original distribution at

the time of the re-organization of the company in 1911, at which time the capital stock was increased from $20,000, or its original amount some twenty-eight years ago. The Agreement of Association of this company makes provision that

1. The Preferred Stock is preferred as to assets in event of liquidation, and is preferred as to 7% annual cumulative dividends, payable quarterly, January, April, July and October.

2. No mortgage can be placed on the Company's property without the consent of 75% of all of the outstanding Preferred Stock.

3. The Preferred Stock cannot be increased without the consent of 75% of all of the outstanding Preferred Stock.

4. No dividends can be paid on the Common Stock whereby the net quick assets shall be reduced below $1,000,000, nor except out of the net earnings, nor unless all accrued dividends on the Preferred Stock have been paid in full.

5. Thirty-five per cent of the balance of the net earnings each year after paying 7% on the Preferred

Stock and 5% on the Common Stock shall be retained in the business until the net quick assets amount to $1,500,000 but with the right on the part of the Company of reducing net quick assets to $1,350,000, provided the money is needed for new plants or machinery,

but thereafter 35% of the profits, as above mentioned, shall be retained in the business until the net quick assets again become $1,500,000.

6. The Preferred Stock is redeemable as a whole, but not in part, after January 1, 1917, upon sixty days' notice at $125 per share and accumulated dividends.

At the time the Preferred Stock was first offered for sale it was totally subscribed in one day. At that time a statement was made in which the average annual net earnings since April 30th, 1903 to that date exceeded $258,000 and such net earnings for the six months ending October 31, 1911 exceeded $164,000. The statement also made known that the losses from collection over a period of eight (8) years had equalled less than one-half of 1%, which seems surprising in view of the nature of the business and the very long terms of credit granted on the sales.

As Exhibit "A" the statements of the company for three (3) dates, about a year apart each, are set forth. By this statement it will be noted that the Material Assets of the company gradually increased during those years and the Good-Will was somewhat decreased. At the present date it is claimed the company has not a dollar of indebtedness, with the exception of current debts. The reason that the two Directors referred to believe that they can buy up this stock is that a controlling intrest is now held by three parties, one of whom is Mr. Kenyon, one of the two original founders of the company, and who is at present in such poor state of health that he would consider liquidating his holdings. Owing to the fact that the Fiberloid Company

consider us as possible future competitors of theirs, they are unwilling to offer any information regarding the details of manufacture or of earnings. They state, however, that their Preferred dividends have always been paid and that recently two dividends on Common have been declared and paid. Further information, however, can possibly be obtained should this Company be interested in the proposi-

tion.

CONCLUSIONS

In view of what has been said, it is the belief of this Department that one of the following two courses is the most advisable to follow—

Either the making of a further study to determine the advisability and make estimates of the investment required and the earnings of a small plant as referred to above, or

Continue our negotiations with the Fiberloid people with a view of purchasing a controlling interest in this company on the best terms possible.

While this study has not been carried sufficiently far to make definite recommendations on either of these courses, the following pros and cons may be cited:—

FIRST: Building small plant.

ADVANTAGES:

Would make use of our present nitro-cellulose producing capacity for all of the product produced.

The duPont Company would own the entire plant and control the manufacture and output.

Only the lines of manufacture would be taken up which would be considered most advantageous to the Company and ~~most~~ closely follow the policy of the Company.

The plant could be located at one of the present Smokeless Powder Plants with the contingent advantages.

The Company would not be purchasing more nitro-cellulose producing capacity, of which it has at present an excess.

DISADVANTAGES:

Would have to pay for instruction in the manufacture of the product and the expense of carrying it through the experimental stage.

Would have some difficulties in entering the trade though

probably not insurmountable.

Would have to develop the reputation of the product.

As regards the purchase of the Fiberloid Company, the following may be mentioned:

ADVANTAGES:

Trade and reputation would be already established and the concern a going one.

Intimate knowledge of the manufacture would be included.

As their present nitro-cellulose producing capacity is claimed to be operating at full, for any increase in their

production it might be possible to supply the nitro-cellulose from the present plants of the Company.

It might further be advantageous to supply nitro-cellulose for part of the present celluloid production.

Disadvantages:

The investment would be a large one and in view of the present status of some of the lines of business on which the celluloid is dependent for its patronage and also in view of the reduction in the tariff, this investment might not yield the expected returns from now on.

Thelocation of the plant would be somewhat distant from the location of any of the present Smokeless Powder Plants, which might make it impractical to supply any of the requirements of the Fiberloid Co. for its present output and even difficult for future requirements.

Recommendations

Inasmuch as this study has not as yet been carried sufficiently far to enable this department to make definite recommendations as to the proper course to pursue, but merely to set forth, briefly, the findings of the investigation to date to get an expression of opinion as to the desired

direction of procedure, it is hoped that the information contained may be sufficient to permit of a decision being arrived at as to whether both or one of the above courses will be considered as attractive to pursue, it being the opinion of the Department that for obvious reasons it would not be

good policy to proceed too far, especially with the negotiations of the Fiberloid Co., if there is no possibility of the proposition being accepted.

APPROVED BY
R. R. M. CARPENTER (Stamp)

PREPARED BY
W. S. CARPENTER, JR. (Stamp)

Government's Exhibit No. 109

September 12, 1915.

TO EXECUTIVE COMMITTEE

FROM DEVELOPMENT DEPARTMENT.

PURCHASE OF ARLINGTON COMPANY

I am handing you report prepared since Satruday noon, when our representative, W. S. Carpenter, Jr., concluded negotiations with the Arlington Company started last Monday.

There is much to be gained by prompt consideration of this report tomorrow morning.

We have promised the Arlington Company a prompt reply which should be given early this week.

As soon as general policy is approved, contract to buy along lines as mentioned will be pmepared.

We have been studying this situation for some years past, and feel strongly that this is the best opportunity we will get to enter this business.

Mr. Irenee duPont, Mr. Raskob, Mr. P. S. duPont and the writer have gone over the matter carefully, and are convinced that we should either take advantage of this opportunity or drop further consideration of this subject.

R R M Carpenter
Director, Development Department

(837)

ENCL.

Government's Exhibit No. 110

September 12, 1915.

To EXECUTIVE COMMITTEE

FROM DEVELOPMENT DEPARTMENT.

THE PURCHASE OF THE ARLINGTON COMPANY:

About one weeksago it was learned, thru certain intermediaries, that the owners of the Arlington Company, celluloid manufacturers of Arlington, N. J., had been considering the sale of the entire Company. This matter was promptly followed up resulting in interviews, first with these intermediaries, and subsequently with the principals.

Briefly, the causes leading up to the present situation, as well as the developments, are as follows:—

There exists in the Arlington Company two principal factions—the Chapman interests (made up of Henry C. Chapman, C. Brewster Chapman, Francis A. Gudger, etc.), and the Ensign interests (made up of Ensign, Ellsworth and Schultz families, etc.), the former having majority interests.

The Ensign faction, it is said, has for some period been uneasy regarding their position and especially anxious regarding the future of the Company—this in view of the fact that the larger stockholders of both sides are men over seventy years of age, Mr. H. C. Chapman being seventy-eight. This feeling was probably intensified owing to the fact that C. B. Chapman, the son of the President, has never shown any interest whatsoever in this line of business, being interested in other developments in the south. It is also

claimed, tho the writer saw no evidences of it during the various meetings, that there has existed some lack of sincere cooperation in the management of affairs.

As a result of the above condition, the Ensign

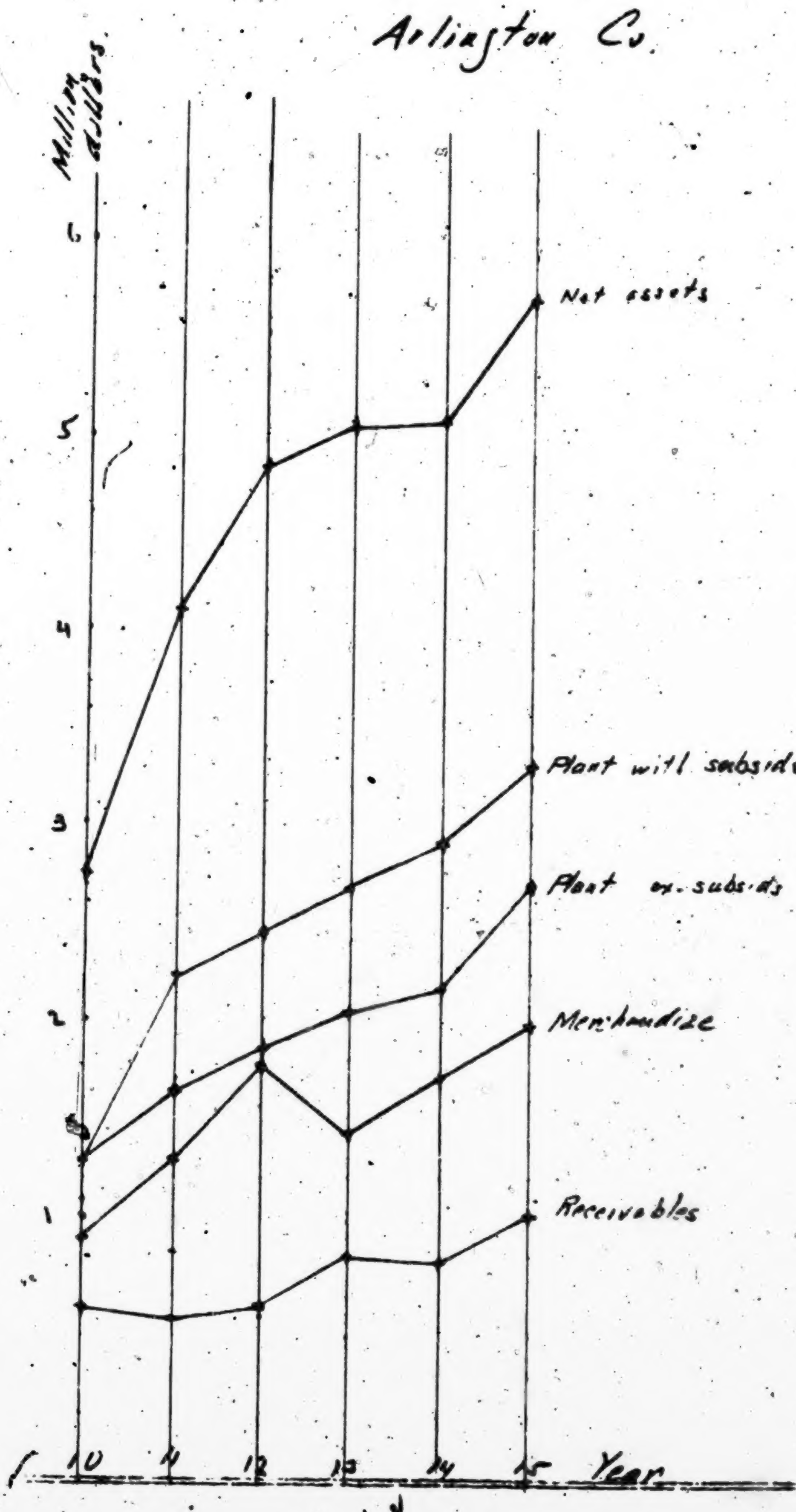
—2—

interests about two months ago approached Mr. Norman Peters, a broker in New York, with the request that he, without disclosing the overtures ~~of the minority~~, approach Mr. Chapman and endeavor to obtain an option from him on his holdings. Mr. Peters did this, and, according to Mr. Chapman, represented that he was in touch with a prospective buyer. For some time Mr. Chapman declined to consider this, but later consented to give an option on his holdings at $165. per share, provided the others would join. This option was to remain in force during the month of August. Mr. Chapman later explained to the writer that his only reason for considering the proposition at all was owing to his age and the fact that the business apparently had no attractions for his son.

It subsequently developed that Mr. Peters was not in touch with an interested purchaser, and the option lapsed without results. Subsequently, however, Mr. Peters had a friend of his write to Mr. H. F. duPont inquiring if he thought the duPont Wompany would be interested in such a proposition.

The writer first visited these fourth parties, then got in direct touch with Mr. Peters and Mr. Ellsworth (Treasurer) and later with Mr. Chapman.

After considerable discussion, during which Mr. Chapman and the Ensign interests were advised of our interest and requested to indicate a proposition based upon their


Arlington Co.
Million dollars
6
5
4
3
2
1
Net assets
Plant with subsids
Plant ex. subsids
Merchandize
Receivables
10
11
12
13
14
15
Year
Strike

average annual earnings over a period of four years, 1911-1914, they advised that they would be willing to dispose of their entire holdings and guarantee the balance of the stock at a figure resulting from the capitalization ~~fo~~ of their average annual earnings over this period on an eight per cent. basis, provided we would increase their 1913 earnings by $150,000., which they claimed was a minimum figure of the actual cost to them of a severe strike, the first and only one in the 32 years existence of the Company. They further believed that we should

compensate them for the losses due to a price war in that period.

From Exhibit "B" it will be noted that the total earnings over that period of four years amounted to $2,070,332. (as noted, we are not sure of these earnings, but they have been computed from the best data available), which, with the $150,000. (neglecting price war costs) equals $2,220,-332., or an average of $555,083. This, capitalized at 8%, equals $6,938,537., or a price of about $173.50 for each of the 40,000 shares of the Company.

As it was believed that this would not be their final figure, in accordance with a plan decided upon at a meeting of Messrs. P. S. duPont, Irenee duPont, J. J. Raskob, R. R. M. Carpenter and the writer, the writer again met with the stockholders and indicated, but without compromise, that in his opinion an offer based upon the earnings capitalized at 10% and no allowance made for the strike cost, would be accepted; provided that should the price per share, so figured, fall below $130., the Arlington Company need not sell at below $130., tho we could, if we so desired, buy at

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$130., and should the price result above $170. per share, the Arlington Company would sell and we buy at $170. A contract binding both parties to abide by the results of a thorough investigation by both parties, with arbitrators in case of disagreement, was suggested.

As a result of two meetings to discuss this proposition, the Arlington Company accepted all of the terms as outlined informally in Exhibit "C", and briefly stated above, with the exception that they insisted upon our adding to the earnings for the four years $75,000. as part compensation for the strike loss. We therefore now have the proposition to present to you on the above basis.

If the earnings as per Exhibit "B" should be correct,

namely, $2,070,332., and we add $75,000., we get average annual earnings of $536,333. which, if capitalized at 10%, equal a total price of $5,363,333., or about $134. per share, or a reduction of $1,575,204., or about $39.50 per share below their original offer.

While it is obviously erroneous to grant them the full credit for the actual cost of their strike of $150,000., especially when its actual occurrence positively proves that the business is not immune from such upheavels, it does seem somewhat severe to expect, inasmuch as this strike, purely by coincidence, occurred in the specific period of four years selected rather than in any of the other 28 ~~25~~ years of operations, that we should insist the earnings of these four years should bear the entire burden; in other words, that this admittedly unusual cost should be capitalized against them.

The Arlington Company claim that their books can prove an actual cost of this strike to them of $150,000. and

that they further suffered from lost profits resulting from delays in production a minimum of $50,000. or a total of $200,000. I might point out that should we grant them no consideration for this loss and should there be no possibility of further strikes (which is of course untrue) and capitalize this loss against them, they would lose thereby $500,000. in the sale. If we allow them $75,000. only, their loss is $312,500.—that is, we are granted an actual reduction of $312,500. to insure us against further strikes.

For the present discussion we will consider the actual loss of earnings due to the strike to have been $150,000. (as can be actually shown by the books). By making restitution in the earnings of $75,000. and capitalizing at 10%, the resulting annual average earnings over the four years and purchasing at this price it may be rightfully considered that we are purchasing upon a 10% earning basis, and are capable of ~~havin~~ bearing the burden of a strike of similar intensity once in every ~~6~~ 8 years.

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This deduction is, of course, based upon the assumption that conditions may in the future be at least as advantageous as in the past, and we see no reason why such should not be the case.

As having bearing on this discussion, it should be mentioned that, while the actual cause of the strike could not be learned, it was stated that it was not due to under-pay but, I understood, dissention among the men regarding distribution of labor. The strike was broken by the training of a large number of new hands and the return to work of many of the old ones but without any concession. I was

told by a number of the Arlington men at separate times and while alone that labor conditions are at present wholly satisfactory, and such that they believe the possibility of a repetition of the unpleasantness extremely remote.

In view of, what has been said we think there is some justification in the stand of the Arlington Company, and believe that their concession of $75,000. (it is at least $125,000. if we figure lost profits) is a generous one.

Assets of The Arlington Company

Plants & Property. It so happens that the location of their plants is particularly advantageous for us. Their main plant at Arlington, and the paper plant at West Nutley, are on the line from New York to Haskell. Their articles plant at Poughkeepsie is not distant from Newburgh, and their Canadian plant is in the same city as our Canadian artificial leather plant. None of the plants have as yet been inspected, nor will this be possible prior to an arrangement with them. It may be said from reputation and general appearance that the Arlington plant is well laid out and of up-to-date substantial construction. I gather that they employ 500 to 600 hands at this plant, including men and women. They claim their is sufficient adjoining land owned by the Company and away from ~~prob~~ populated districts for practically unlimited expansion. This property extends out over

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the meadows. The plant is located along the railroad. The town of Arlington is on the outskirts of New York.

It is practically impossible to check the item of plant and property in their statement now as we know little of

the cost of equipment for the manufacture of articles. Our estimate of a plant for the production of about 1,500,000 lbs. of sheets, tubes, rods, etc. amounted to about $450,000. As their production is about twice this, a fair figure would be $900,000. As they manufacture about forty to fifty per cent. of their sheets into articles of every description, and as equipment required for this is all of special type, we are not disturbed at the large discrepancy between our figures.

Of not minor importance is their paper mill at West Nutley near Arlington, where they claim to make a paper for celluloid manufacture surpassed by none in the country. This plant appears to be of modern construction and in good condition.

The Poughkeepsie plant makes principally collars, cuffs and brushes. It makes about 700 to 800 dozen collars per day and the Arlington Company is able to dispose of this amount to advantage. Mr. Gudger advises that this is about 65% of the total trade in this line of the American companies.

The Toronto plant is said to operate steadily. The sheet celluloid is forwarded from Arlington. The duty, according to Mr. Gudger, averages about six to seven per cent ad. valorem. The celluloid scrap of these plants may possibly be worked in to advantage for Fabrikoid.

In Florida a tract of about 11,500 acres has been purchased in quite recent years and a camphor tree plantation is under way. Mr. Chapman believes this to be one of the greatest potential assets of the Company, tho it has not yet, and probably will not for a few years to come, yield any profits, as the trees are not yet grown. This operation is

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under the supervision of a good expert and about 125 to 150 men are employed,

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and modern labor-saving machinery is used. This seems a very prudent step inasmuch as the camphor market of the world is controlled by the Japanese Government, and they in turn are dependent upon the labor of a practically uncivilized race living on some of the islands near Japan. The economical phase of this development cannot be discussed owing to lack of information but Mr. Chapman said he would very gladly purchase this from us, if we buy it and so desire, at the cost of its development.

The Arlington Company claim to possess valuable patents and processes for their various branches. They spoke of two new patents which they are now preparing to exploit, which conservative estimates indicate should save in operating costs a minimum total of $60,000. per year. They further claim that with these operating they will have no fears of foreign competition regardless of tariff protection. They claim further to have all necessary data for the manufacture of photographic films, and are expecting to erect a plant for this manufacture shortly?

There are no law-suits pending against the Company.

Their good-will is unquestionably a valuable item. They have grown steadily through a period of 32 years, and now claim over thirty thousand live, active customers. While our present negotiations with the Arlington Company have been of but about one weeks' duration, this Department made a rather exhaustive investigation of the celluloid industry, particularly of that branch of the trade made up of comb and novelty manufacturers using the sheet products

of the big companies, with a view of later entering this manufacture. It might be added that, inasmuch as we had no intention of producing articles at the start, this phase of the industry was not covered as completely as it would otherwise have been. The general opinion obtained

from our investigation was that the Arlington Company product is equal to any in this country or abroad. There are, of course, always those who are prejudiced one way or another, but I feel safe in saying that insofar as quality is concerned we need have no fears. I have never heard any complaints against the fair treatment of customers by the Arlington Company; in fact, there seemed to exist a very good feeling toward the Arlington Company. It might be added that there seemed to exist no ill-feeling against any of the raw celluloid producers.

There are four raw celluloid (that is, sheets, tubes, rods, etc.) producers in this country. Their combined product (from best data obtainable) in raw celluloid, is at present about 9,000,000 lbs. per year. This may be distributed about as follows:—

Arlington Co.	3,125,000 lbs.
Celluloid "	3,125,000 "
Fiberloid "	2,000,000 "
Viscoloid "	750,000 "
TOTAL	9,000,000 lbs.

The Viscoloid Co. may be considered apart from the others. The quality of their product is not equal to that of the others and it is consumed almost entirely by comb and novelty companies controlled by the Viscoloid Company.

The other Companies make about the same kind of products, the Arlington and Celluloid Companies converting about forty to fifty per cent of their product into articles and the Fiberloid Co. about 30%.

If we consider that the earnings as figured in Ex. "B" are correct (not certain) and that we will pay $5,363,333. for the Company, we may consider, judging from the statement of Jan. 1, 1915, that we are paying ~~about $450,000. for patents, good-will, etc., which does not seem excessive.~~ *nothing for good will patents etc. but that tangible assets exceeded liabilities by about $180,000.* About one year ago the entire plant property of the Arlington Co. was thoroughly appraised by the Standard Appraisal Co. of New York for insurance purposes, and their results differed from those of the Arlington

Co. by but a few thousand dollars, the appraiser's results being in excess of those of the Arlington Co.

It may be well to mention here the colored enamel business of the Arlington Co. This material is made from scrap celluloid. According to Mr. Moosmann the Arlington Co. quality is so good as to place them in a class by themselves. Mr. Moosmann further adds that while they now only have about 50% of this trade in the U. S. he sees no reason why, if properly handled, 90% of the business should not be controlled. This branch will work in nicely with the Parlin lacquer business.

Foreign Competition

The recent tariff reduction made a material difference with the rates as shown in Exhibit "D". Only the class

including celluloid sheets, rods, etc. or raw material will be discussed. The rate on high grade finished products corresponding to that of the Arlington Co. was not appreciably effected, and also statistics are not satisfactory on finished products as many of the important items come under the statistics headings toys, brushed, combs, etc. and cannot be separated.

It will be noted that the recent reduction was appreciable and further that the importations increased. There are numerous reasons however why we believe this will not, even under the low tariff, become a large item. Among these are,

The small articles manufacturers do not care to place their orders for ahead owing to the frequent changes of fashion.

The material to come under low tariff class comes in unpolished.

The deliveries will be uncertain.

The small manufacturers cannot carry large stocks as they do not have the capital.

They have when using foreign product almost no market for the disposal of their waste, which, in the case of using domestic product, is taken back by the sellers.

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If the foreigners retain the enormous stocks of materials necessary to supply all grades we do not believe their entire costs will be sufficiently low to effect the situation materially.

The domestic manufacturers would prefer to purchase from Americans.

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Difficult to make adjustments if sizes, quality and color not satisfactory.

The increase in imports in 1913-1914 was due largely to the establishment of small stores of materials in this country by the foreigners, tho it was learned from the trade that these efforts were not being welcomed. It was further claimed that certain of the foreigners, after making their initial sale, raised their price which considerably exasperated the customer in at least one known case.

In the case of the cheaper grades of manufactured articles the foreigners have been to come extent favored. However, this class of goods, especially those articles in which the percentage of the labor cost is high compared with the material cost such as hollow articles, dolls, hollow combs, etc. and which cannot be made to advantage in machines, never has been widely developed in this country. Most of the small articles manufacturers who make largely side-combs, etc. on machines feel that they can still hold their own. The factor of rapidly changing fashions plays a large factor in this also.

Export statistics are not very satisfactory either but do indicate that this is a growing factor. Strange as it may seem, it is known that the American raw celluloid manufacturers do export their products in appreciable quantities, and into the very sections of England where the British Xylonite Co. (one of the largest) has its plant, for the purpose of making knife handles, etc. Knife handles must be of very good grade to prevent shrinkage. Mr. Chapman advised that they sell in England at higher prices than are obtained by the foreigners for their product in the same territory, but this has not been confirmed.

It is thought that the shortage of labor to be expected abroad after the war may not only cut down the efforts of the foreigners in the U. S., but ~~may~~ will assist the American efforts abroad. Some expansion should also be expected in South America.

It has been learned that at the present time all of the large Celluloid Manufacturers are operating at high speed. Mr. Chapman advises that they expect their earnings to be appreciably increased this year, owing to new business as a result of the war. This was confirmed at another time by Mr. Ellsworth, Treasurer. It seems that much of this should be retained with proper effort. We will obtain the full advantage of this both as regards the future and the present inasmuch as the Arlington people have promised to make no dividend declaration pending our negotiations.

Future Possibilities

While the percentage basis on which we can close this proposition is not as high as has been the case in other lines, we believe the present status of this Company, as well as the celluloid business in general, is such as to warrant its acceptance. In addition to the profits of the business operated as at present, we believe there are certain other features showing probabilities of increased earnings, such as

Savings thru use of nitrated cotton rather than paper in certain low grades.

Possible use of cheaper solvents already developed by the duPont Co., tho nothing should be done to reduce the quality of the product.

Control of more of the trade thru better sales organization. Believe much can be done along these lines as this seems to be a neglected feature among all of the Celluloid Cos.

Possible other features in economics of operations.

Further, it does not seem impossible to me that we may discover, in taking over this Company, certain methods or practices which may be of material advantage to the operation of the duPont Co. If so, credit should be given to the Celluloid operations.

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General Conclusion

In reply to the query, "Why are the Arlington people willing to sell", we believe we may accept as sincere the reasons given by the Arlington people as above, viz:- that in view of the fact that the principal stockholders are old men and have not heirs who would appreciate and interest themselves in the business (especially is this so of Mr. Chapman) and are therefore anxious regarding the future value of their holdings, they are willing to accept a fair price for their holdings and we think that, while the proposition as outlined is a good one for the duPont Company, it is also a good one for them. A sacrifice figure we feel certain that they would not have considered.

The Celluloid business with the possibilities of the film and lacquers business, is unquestionably the logical channel of development for the duPont Company, and we do not hesitate to say that, all things considered, the Arlington

Company is the best Company in this country for the duPont Company to own.

There is in this case, as in the case of every business, the possibility of a cheaper and better product being discovered to effect the results, but this question has for years been the subject of diligent study by able men but without results.

Although the estimates of earnings and purchase price as estimated above, are not claimed by us nor by the Arlington Co. to be correct, the proposition as informally outlined in Exhibit "C", while it has not been signed by them as they preferred not to do so without the approval of their lawyers, has been accepted by the Directors representing all the stock and may be considered as a firm offer on their part and we are positive can be closed on those terms.

Prepared By: W. S. CARPENTER, JR. (Stamp)

Approved by R. R. M. CARPENTER (Stamp)

NOTE. "Return to Room ——" Stamp top p. 1. Italics indicate pencil changes. Lines on document pp. 1, 6, 7 & 8 are hand-drawn.

EXHIBIT "B"

PROPOSITION AS OUTLINEDTO THE ARLINGTON COMPANY AND WHICH IS ACCEPTABLE TO THEM.

Memorandum of Proposition which I (Mr. W.S.Carpenter, Jr.) believe will be acceptable to our people (The E. I. duPont deNemours Powder Company) though nothing can be considered as firm offer.

* * * * * * * * * *

We to buy entire capital stock of The Arlington Company at a price arrived at by capitalizing the earnings over a period of the four years 1911, 1912, 1913, 1914, at the rate of ten per cent (10%).

Should the resulting value of the stock be less than $130# per share, you would not be obliged to sell at under $130# though we could purchase at $130# if we so desired, Should the resulting price be over $170# per share you would sell at $170#.

Earnings should be figured by deducting from the sales price of product all usual items such as operating costs, materials, sales costs, insurance, taxes, overhead, superintendence, main office, repairs, etc., also depreciation at the rate of three per cent (3%) on all the plants, equipment, etc. Also the dead stock accumulated each year should be written off against costs. Provision should be made to write off against costs, bad debts.

We would expect you to give us statement of your total assets and liabilities. Such items as Cash, Accounts and Bills Receivable, Accounts and Bills Payable, and similar

items, should check up accurately. Such items as Plant, Equipment, Interest in Subsidiaries should not fall below ninety-five per cent (95%) of such valuation when appraised.

Purchase to include all plants, cash, machinery, equipment, patents, processes, brands, trademarks, good will, stocks, bonds, accounts receivable; in fact, everything now owned.

Complete investigation allowed, by us.

EXHIBIT "B" CONT'D.

DEFINITION OF "COSTS".

Net Selling Revenue f.o.b. Works less—Depreciation, All Operating, Manufacturing, Selling, Transporting, Overhead, Raw Materials, Office Expenses, Laboratory, Superintendence, Taxes, Insurance (all, if not carried at one per cent (1%), Shrinkage in discarded equipment, Depreciation in Product-physical as well as obsolescence—Bad Debts.

Values of inventories used for purpose of computing net earnings are to be priced at actual factory costs.

The following is the final decision of the Arlington Company:

This proposition will be accepted if Seventy-five Thousand Dollars ($75,000#) is added to the four years' earnings to cover the cost of our strike.

Note:—While this proposition has not been signed by the Arlington Company, it was written out as above by the Arlington Company on their note paper and is definitely acceptable to them.

EXHIBIT "C"

ESTIMATED EARNINGS OF ARLINGTON CO. FIGURED FROM BALANCE SHEET AND SUPPOSED DIVIDEND RECORD(3)

	1911	1912	1913	1914	Average
Surplus and Reserves at end of Year	$ 815,426	$1,024,334	$1,065,369	$1,693,793	$1,149,730
Surplus and Reserves at beginning of Year	103,461	815,426	1,024,334	1,065,369	752,147
Increase in Surplus	711,965	208,908	41,035	628,424	397,583
Dividend Paid (According to Corporation Service Manual) 4%	160,000	160,000	160,000	(1)	120,000
Total Earnings	871,965	368,908	201,035	628,424	517,583
Percent on $4,000,000 Capital Stock	21.79	9.22	5.03(2)	15.71	12.94

(1) No mention made of Dividends in Corporation Service Manual.
(2) Year of strike.
(3) These figures were not supplied by the Arlington Co. and we are not positive that they are correct.

FINANCIAL CONDITION OF THE ARLINGTON COMPANY AS OF JANUARY 1st.

Figures obtained from Bradstreet.

* * * * * * * * * * * * * * * *

	1908	1909	1910	1911	1912	1913	1914	1915
ASSETS.								
Cash	$ 13,386.42	$ 36,985.90	$ 25,104.39	105,880.85	$ 53,584.14	$ 231,704.77	$ 98,593.59	$ 82,746.74
Accounts Receivable	462,002.87	478,819.88	537,709.78	488,996.40	539,290.00	794,636.91	785,571.28	1,055,505.28
Bills, Notes, Receivable	6,187.30	9,501.49	1,852.11	14,414.51	9,108.24	18,498.55		
Real Estate	597,034.42	605,866.08	683,571.83					
Machinery, Tools & Fixtures	452,106.85	501,535.11	606,830.07	1,630,563.86	1,868,807.54	2,032,181.90	2,184,012.38	2,692,448.40***
Merchandise	1,098,688.06	806,365.66	900,770.20	1,288,907.58	1,786,317.31	1,417,406.65	1,713,581.04	1,991,948.85
Patents	63,751.77	63,751.77	64,251.77	64,518.79	64,518.79	64,518.79	89,757.40	140,79[illegible].90
Interest in Subsidiaries				585,000.00	585,000.00	634,896.92	717,914.34**	609,865.67
Bonds								85,712.17
Insurance Fund							87,121.13	
	$2,657,158.09*	$2,502,825.89	$2,819,090.15	$4,158,341.99	$4,900,608.02	$5,193,843.49	$5,676,551.16	$6,659,027.08
LIABILITIES.								
Capital Stock Paid in (Common)	$2,000,000.00	$2,000,000.00	$2,000,000.00	4,000,000.00	$4,000,000.00	$4,000,000.00	$4,000,000.00	$4,000,000.00
Accounts Payable / Bills Payable	374,559.38	111,984.57	55,303.91	54,880.69	85,179.17	169,509.23	220,72[illegible].87	350,113.37
								260,580.47
Reserves							390,455.24	354,589.28
Surplus & Undivided Profits	282,598.71	390,841.32	763,786.24	103,461.30	815,426.85	1,024,334.26	1,085,36[illegible].05	1,693,793.96
	$2,657,158.09	$2,502,825.89	$2,819,090.15	$4,158,341.99	$4,900,606.02	$5,193,843.49	$5,676,551.16	$6,65[illegible],027.08

* - The correct total of the above item is $2,693,158.09

** - Called other Investments, Subsidiary Companies.

*** - According to another statement of the Arlington Co., this item is subdivided as follows:

Florida Essential Oils Co. (Camphor Grove)	$ 67,500.10
Poughkeepsie Plant (Collars, Cuffs, Brush plant)	94,436.29
Plant and property	2,530,512.10
	$2,692,448.49

EXHIBIT "D"

IMPORTATIONS.

Details of last three tariffs covering raw celluloid.

Act of 1899 to Aug.5,1909	Act of 1909 8/6/09 to 10/4/13	Act of 1913 Oct. 4,1913
60 cts. p.lb.	45 cts. p.lb.	25% (1)

(1) As the average value at present is, say, 50 cts. p. lb. abroad, this would amount to, say, 12.5 cts. p.lb.

Record of imports of celluloid. Yr. ending June 30.

Year	Pounds	Value
1905	2,367	3,991
1909	1,656	1,174
1910	2,976	2,577
1911	1,165	2,270
1912	1,178	2,641
1913	22,305	18,338
1914	118,979	59,270
1915	60,314	29,761

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3141 EXCERPT FROM REPORT OF EXECUTIVE COMMITTEE TO BOARD OF DIRECTORS OF E. I. DU PONT DE NEMOURS POWDER COMPANY DATED SEPTEMBER 22, 1915

PURCHASE OF ARLINGTON COMPANY:

The Committee authorized the proper officers of this Company to purchase the entire capital stock, ($4,000,000., —all Common and fully paid in) of the Arlington Company, celluloid manufacturers, on a 10% earning basis established by average earnings over a period of the four years, 1911-1914. It has been tentatively agreed that if the resulting value of the stock on the 10% earning basis be less than $130. per share, the Arlington Company shall not be obliged to sell for less that this figure, though we can purchase at $130. per share if we so desire, and should the resulting price be over $170. per share they will sell at $170. per share.

The Arlington Company is one of the two largest celluloid companies in this country and produces about 3,125,000 lbs. of raw celluloid per year. They have been in existence for about 32 years and now claim over 30,000 live active customers. In addition to the celluloid plant at Arlington, New Jersey, they own a paper plant at West Nutley, New Jersey, a celluloid articles plant at Poughkeepsie, New York, 60% of the stock of a company operating a celluloid plant at Toronto, Canada, and a camphor tree development of approximately 11,500 acres in Florida. They claim to have all necessary data for the manufacture

of photographic films, and are expecting to erect a plant for this manufacture shortly.

The Company is controlled by two principal factions, the Chapman interests (made up of Henry Chapman, C. Brewster Chapman, his son, Francis A. Gudger, etc.) and the Ensign interests, (made up of the Ensign, Ellsworth and Schultz families, etc.) the former having majority interests. The principal reason for their desire to sell is that the larger stockholders of both factions are men over 70 years of age, and the further fact that C. Brewster Chapman, son of the

President, has never shown any interest whatever in this line of business, being interested in other developments in the south.

It has been roughly estimated that the net earnings for the four years, 1911-1914, averaged 12.94% per year on the $4,000,000. capital stock though the data at hand for this computation is not complete nor has the data been substantiated by the Arlington Company.

In addition to the profits of the business, operated as at present, it is believed that there are certain other features showing probabilities of increased earnings, such as—

1st:—Savings through the use of nitrated cotton rather than paper in certain low grades.

2nd:—Possible use of cheaper solvent already developed by the duPont Company, although nothing should be done to reduce the quality of the product.

3rd:—Control of more of the trade through better sales organization. It is believed that such can be done

along these lines as this seems to be a neglected feature among all celluloid companies.

4th:—The possibility of discovering, in taking over this company, certain methods or practices which may be of material advantage to the operation of the duPont Company.

5th:—Possibly other features in economics of operations.

I hereby certify that the foregoing is a true excerpt from the report dated September 22, 1915 by the Executive Committee to the Board of Directors of the E. I. du Pont de Nemours Powder Company.

/s/ L. du P. Copeland
L. du P. Copeland
Secretary
E. I. du Pont de Nemours & Company, Inc.

Seal

June 20, 1949

Government's Exhibit No. 111

SERIAL NO. SU-102.
AUGUST 11th, 1916.

TO EXECUTIVE COMMITTEE
FROM DEVELOPMENT DEPARTMENT

THE MANUFACTURE OF PAINTS AND VARNISHES AT PARLIN.

Report U-106 of May 15th, 1916 proposed an investigation of paint and varnish manufacture for the Parlin Works. The present report summarizes the more important results of the study, which was undertaken with the assistance of Messrs. G. W. Priest and F. S. MacGregor. The statistical figures for 1914 are conservative to use because that was not a very prosperous year.

BUSINESS IN THE U. S.

	Census Year 1914	Census Year 1909
Number of establishments	855	863
Value of Paint Industry Prods.	$113,953,084	$ 96,476,286
Value of Varnish " "	35,096,736	30,996,533
Total value of Paints & Varns.	149,049,820	127,472,819
Plants, whose paint production exceeds varnish production	618	644
Plants, whose varnish production exceeds paint production	237	219
Division of Products.		
Pigments (colors)	$ 17,407,955	18,134,869
Paints	70,582,461	57,380,539
Varnishes and Japans	36,061,203	31,758,735
Fillers and putty	3,239,174	3,197,671
Water paints and Kalsomine	2,202,281	1,981,161
Bleached Shellac	1,806,802	772,240
All other prods. incl. rprs.	17,749,944	14,247,604
	$149,049,820	$127,472,819
Pigments direct from smelters	$9,978,710	$7,963,332
Natural mineral pigments	473,076	613,133

Sub-division of Products.

Pigments	1914 Pounds	Change over 1909	Dollars	Change over 1909
Barytes	46,930,380	—16.6%	325,922	—6.5%
Earth Colors	92,896,956	—56.4%	797,819	—26.5%
Lithopone	48,922,062		1,857,510	
Prussian Blue	1,239,382		357,077	
Ultramarine	2,698,639		222,769	
Other dry colors	95,616,993		3,616,445	
Colors paste in oil	21,420,854	—35.1%	1,011,763	—21.8%
Lead white and oxide) Chrome yellow, orange) Vermillion (true) and) fine colors)	148,596,759		9,188,650	

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Paints	1914. Pounds	Change over 1909	Dollars	Change over 1909
Paints in paste form (exl. zinc and white lead)	129,042,658		$10,165,819	
Ready mixed paints in oils	gallons 40,745,563	+18.9%	41,544,280	+35.3%

Varnishes & Japans.

	Gallons			
Oleoresinous varnishes	17,789,212	—4.8%	18,681,346	+6.4%
Spirit varnishes (not turpentine)	2,964,172	+132.8%	3,080,425	+105.%
Turpentine and benzine varnishes	3,297,371	—5.4%	2,865,356	+0.9%
Pyroxylin varnishes	852,571	—54.8%	1,308,796	—44.5%
Drying japans & lacquers	6,560,406	—1.1%	3,015,907	—4.7%
Baking " " "	4,888,816	+63.9%	2,960,856	+42.4%

Discussion and Conclusions Relative to U. S. Business:

I. The paint and varnish manufacturers are very numerous and on an average they all seem to make a profit. The entrance of one new manufacturer would make no great impression on the other 855 makers.

II. The country's turnover of paint and varnish products was almost $150,000,000 in 1914, showing that this is a large business, worthy of attention.

III. In five years, from 1909 to 1914, the business increased as follows (in round figures):

Varnishes from $31,760,000 to $36,060,000 or $4,300,000 almost $900,000 per annum.

Paints from $57,380,000 to $70,580,000 or $13,200,000 or $2,640,000 per annum.

Ready mixed paints in oil increased 19% in weight and 35% in value over 1909.

IV. There is a great tonnage of chemically manufactured mineral colors, requiring chemical skill and manufacturing plants (see statistics on Ultramarine, Lithopone and Prussian Blue, all chemical products) independent to a reasonable degree of ore monopolies. This shows a chance of future enlargement in the scope of manufacture of paints. However with few exceptions the color manufacture and paint making are entirely separate industries. A paint maker buying all his colors is quite safe. This subject was discussed in detail with Mr. Benni Patterson, President of the Patterson-Sargent Company. Therefore color manufacture can

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and should be left to future development.

V. The varnish business is increasing. However, this increase in value is due to three factors, viz.:

a. An increase in cost of varnish raw materials.

b. A tremendous increase in the volume of business of spirit varnishes.

c. A large increase in the volume of business of baking lacquers.

VI. The increase in the paint business is largely in the ready made mixed paints showing this to be a good business, 19% increase in volume of business over 1909.

Reasons for du Pont Co. Engaging in the Paint and Varnish Business:

I. Reasons for utilizing Parlin Works for this industry are given below under a separate heading.

II. A large number of small and medium manufacturers are conducting a profitable business, though apparently not giving more than a fair return on the investment and in many cases a small return. Our Company is in a position to obtain a much better return on the investment.

a. our investment would be smaller than the average on account of existing excess plant.

b. the average paint and varnish maker is handicapped by too small working capital and insufficient advertising. This is an important factor and positively established.

c. we would have a great advantage in spirit varnish on account of similarity to present Parlin business.

Furthermore the average maker buys his alcohol in barrels from a denaturing plant. With our large purchases, our own existing denaturing plant and tank-cars, we should have an advantage over all other makers, in some cases as much as 5 to 8 cents per gallon of alcohol. As shown the spirit varnishes increased over 100% from 1909 to 1914. Our Company ought to claim eventually at least $1,000,000 of the $3,000,000 total business.

d. our business would be strongly supported by our probable future manufacture of linseed oil and certain chemical colors.

e. our business would be materially supported by our own consumption of paints and varnishes amounting to many thousand gallons, probably at least $100,000 worth annually. For 1914 the Company's consumption is at the rate of $300,000 per annum.

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III. This is a large and growing industry in itself.

IV. The industry lends itself admirably to extended manufacture such as future production of our own tincans, pigments resin and turpentine (possibly in conjunction with Georgetown Alcohol Plant), etc.

V. The industry would give our Company an outlet for Deep Water Point products, such as benzol, solvent naptha, dead oil and pitch.

Nature of Proposed Business:

The manufacture of pigments (colors) is varied and very complicated, as well as requiring large investments in order to cover a wide field. Certain colors are well suited to manufacture by themselves such as lithopone, but it is recommended that this subject be left to the future.

The production of the oils is covered by another special report.

The manufacture of "mixed paints in oil" is recommended as a standard business showing a steady increase—19% in volume of business in five years, other lines falling off.

The manufacture of spirit varnish is specially recommended on account of the large increase in the demand and our peculiar advantages.

The manufacture of japans and lacquers is recommended as probably particularly profitable when popular brands have been established and because it is an increasing business.

The manufacture of other standard varnishes should be undertaken guided by existing business conditions.

The manufacture of our own tincans for the paints and varnishes as well as for ether, pyroxylin solutions, etc. should be investigated at earliest convenience. Similarly rosin and turpentine production.

REASONS FOR LOCATION OF PAINT AND VARNISH MANUFACTURE AT PARLIN:

I. Proximity to New York City is a great advantage and Parlin is a good distribution point.

II. Parlin is a logical point for a small package business and a tincan factory due to existing production of ether and pyroxylin solutions.

III. Parlin is the logical plant for spirit varnish manufacture on account of the alcohol denaturing plant and similarity to present production.

IV. Parlin is already a considerable consumer of materials entering into paints and varnishes, viz: benzol, gasoline, wood and grain alcohol, gums and pigments.

V. Apparently none of the other plants have any advantage for this business over Parlin.

VI. This business lends itself very well to a combination with the present Parlin business and also to a future extension of the combined industries, such as for instance ~~to the~~ treatment of hides and many combinations of oil products and solvents.

UTILIZATION OF PRESENT PLANT:

The proportion of the existing plant that may be utilized by the paint and varnish industry can not be given with any exactness. It is quite obvious that portions of grounds, railroad sidings, storehouses, power plant, offices, etc. can

be utilized, tho the proportion depends entirely on the amount of business. The same applies to specific equipment which could be utilized, such as present solvent tanks for oil and turpentine, and some of the buildings for gum refining kettles.

In regard to the required investment statistics do not seem reliable for the particular plans which we are preparing. This information will be obtained readily by investigation of other concerns in accordance with the second recommendation given below.

With respect to labor it should be noted that the

number of laborers is relatively small as compared with other industries on the same tonnage basis and there are no disadvantages with respect to wastes, fumes, fire danger or poisonous affects.

Appended to this report are some tables taken from U.S. Census reports giving information relative to capitalization, wages, salaries, number of employes, etc. Some of these figures are of interest as showing for instance that the value of the annual output of a plant is greater than its capitalization, and that the number of employes is about 11 for $100,000 of output, showing that the number of employes is not great relative to the output. However, no further conclusions are drawn from these Census figures, as they are apt to lead to mistakes, especially when applied to apparent profits which in this case are shown to be 13% on the capital for the whole country, but which is hardly net profit.

The paint and varnish business requires knowledge and skill as well as selling ability, but there are no manufacturing difficulties.

RECOMMENDATIONS:

I. It is recommended that the paint and varnish industry shall be accepted as a suitable extension of operations at Parlin as soon as a practicable and apparently profitable plan has been developed.

II. It is further recommended that the preferred plan is to acquire by purchase one or more suitable going concerns, if obtainable, at figures indicating a proper return on the investment, and with a view to transfer of operations to Parlin at the first opportune time.

III. The extension of the study to tincans, rosin and turpentine, and colors is temporarily deferred.

APPROVED BY:
C. A. MEADE (Stamp).

PREPARED BY:
FIN. SPARRE (Stamp)

APPROVED BY:
R. R. M. CARPENTER (Stamp)

PAINT & VARNISH

Census Year	1909	1904	1899
Number of establishments	791	639	600
Total persons engaged	21896	16480	—
Proprietors & firm members	456	439	
Salaried employes	7200	4408	3710
Average number of wage earners	14240	11633	9697
Primary Horse Power	56162	41288	30443
Capital	$103,995,000	$75,486,000	$60 053,000
Miscl. Expenses	13,537,000	9,651,000	5,046,000
Salaries	10,378,000	5,677,000	5,017,000
Wages	8,271,000	6,264,000	4,926,000
Cost of materials	79,016,000	59,827,000	44,739,000
	111,202,000	81,419,000	59,727,000
Value of products	124,889,000	90,840,000	69,562,000
Apparent Profit*	13,687,000	9,421,000	9,835,000

	1909		
	Paint	Varnish	Total
Number of plants	588	203	791
Proprietor & firm members	—	—	456
Salaried employes and wage earners	11,864	2,376	14,240
Capital	—	—	$103,995,000
Miscellaneous expenses	—	—	13,537,000
Salaries	—	—	10,378,000
Wages	$6,736,000	$1,533,000	8,271,000
Cost of materials	62,458,000	16,558,000	79,016,000
Value of products	94,572,000	30,317,000	124,889,000
" added by mfr.	32,113,000	13,760,000	45,873,000
Net value added by mfr.	—	—	13,687,000

Value added by manufactur=sum of salaries, wages, miscl. expense and apparent profit.

	Capital Invested	
	Total	Per $1000 of output
1899	$60,053,000	$863
1904	75,486,000	831
1909	103,995,000	833
1914	124,010,000**	832 (av. of 1904 – 1909)

	Output Per Plant		
	Total	No. of plants	Aveg. per Plant.
1899	$69,562,000	600	$115,900
1904	90,839,000	639	142,000
1909	124,899,000	791	158,000
1914	149,050,000	799	186,000

Number of employes (1909 per $100,000 investment 13.1

" " " " " " output 11.4

*This is not net profit on the business, but difference between value of products and cost of operations and probably does not include certain overhead items.

**Calculated on basis of 1904 and 1909 outputs.

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Government's Exhibit No. 112

SERIAL NO. SU-111
NOVEMBER 28th, 1916.

EXECUTIVE COMMITTEE,

Building.

Gentlemen:

PURCHASE OF HARRISON BROS. & CO., INC.

I am handing you herewith report recommending the Development Department be authorized to negotiate for the purchase of the Harrison Brothers & Company, Incorporated.

On August 22d the Executive Committee passed the following resolution, referring to a report which we presented on the Paint and Varnish business at that time.

> "RESOLVED, that the Development Department be informed that, provided a complete study demonstrates the fact that a satisfactory return on the investment can be secured, the Executive Committee would favor the development of the paint and varnish industry, preferably by the acquisition or purchase of one or more suitable going concerns".

A more thorough investigation of this business has been made in the country and we have determined on Harrison Brothers & Company as by far the most satisfactory concern for us to negotiate for, and both Dr. Sparre and Mr. Meade believe that while the estimated return on this investment is not large it will put us in a position to build up a very satisfactory paint and varnish business in connection with our other chemical business.

There is one thing interesting in a combination chemical, paint and varnish business in that it is a well known fact that when business is not good the paint and varnish business is thriving. This is caused by the railroads and factories in boom times being too busy to do their repair work.

While it will be noted they have a considerable sized acid plant, if we were able to get this plant at this time and were able to manufacture sulphuric acid cheaply we could do a great deal toward

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amortizing this plant during the war. Also if we build up a large business on one of our own plants ~~we could~~ eventually move all of the apparatus of Harrison Bros. to our own plant and could sell the Philadelphia property at a considerable figure as this property will increase in value owing to its very good location.

We are preparing a chart, which we hope to have ready for Monday's meeting, which will endeavor to show the Committee as plainly as possible our ideas on future development for plant utilization, and which willshow the direct connection between the different enterprises which we will recommend from time to time, and the direct connection which exists in the raw materials.

Yours very truly,

VICE PRESIDENT.

L.

NOTE: Pencil notation at top of first page: "Copy to T. L. Riggin—6-18-43." Lines in left margins are hand-drawn.

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Government's Exhibit No. 113

Note Wolf.

TO EXECUTIVE COMMITTEE
FROM DEVELOPMENT DEPARTMENT

SERIAL NO. SU-111
November 22, 1916.

HARRISON BROS. & CO. INC.

Since the acceptance of report SU-102 dated August 11th, 1916 on the paint and varnish industry, effort has been made to accomplish some definite achievement in accord with the second recommendation of that report, viz, that the preferable plan for securing satisfactory entrance into the business would be, "to acquire by purchase one or more suitable going concerns, if obtainable at figures indicating a proper return on the investment, and with a view to transfer of operations to Parlin at the first opportune time."

Since that time the paint and varnish manufacturers of the United States have been scrutinized with care and this investigation has developed the following facts.

The consolidation of numerous small paint manufacturers was at one time seriously considered but the introduction of the anti trust laws apparently discouraged effort in this direction, with the result that the 1914 census shows 855 establishments in the paint and varnish business amounting to about $149,000,000 per year, as against 663 establishments in 1909 doing a business of $137,000,000. The bulk of the business is conducted by men whose ability is probably not more than mediocre and the merchandising apparently has not been conducted along the best lines, as the character of advertisement most used seems to indicate an attempt to influence the retail dealer to handle and the painter to use the seller's products rather than to convince the ultimate con-

sumer to the insistence upon the use of the article advertised.

There is a certain amount of annoying competition from the smaller mixers who buy for mixing linseed oil, lead and pigments and whose small overhead charges allow a margin of profit on sales at low prices to a limited clientele whose critical faculties have not been properly developed by the advertising of the larger manufacturers.

Naturally the desire of this Department has been to find a concern which had well established brands of good reputation, whose business was sufficiently rounded in the various branches of the industry, possessed of sufficient competent men by whom our own men could be trained, whose size was not disproportionately large to development at our own plant (Parlin particularly in mind) and whose location was as convenient as possible for coordination with future development.

Consideration of the fact that the paint industry in the United States in the main is rather disorganized, that there is a large number of sellers, producing small quantities of more or less uncertain quality, whose trade readily could be gained by a concern producing goods of standard quality, and following proper methods of merchandising, the field for a very large expansion seems open - in domestic trade, to say nothing of the trade development possible in Central and South America where but little business has been done as yet in American paints in proportion to the opportunity. It would seem therefore that the purchase of a concern of some magnitude might not be out of proportion to the business in this industry that we might reasonably hope to develop in the course of a few years. The 1914 census showed a turnover of the combined paint and varnish businesses, as above stated, of $149,000,000 of which the paints and pigments alone contributed about $113,000,000 per annum. The statistics indicate steady growth. Today the largest paint and varnish business in the United States is the Sherwin-Williams Company whose turnover we have reason do believe is little, if any, in

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? excess of $10,000,000 per annum. The Detroit graphite Company, whose specialty is graphite paint for steel structures, has a business of $4,000,000 to $5,000,000 per annum. Not many others have a business in excess of $1,000,000 per annum. The average ? is less than $200,000 per annum or but little more than 7% of the total paint and varnish turnover - 10% of the domestic business today would mean an annual business of over $15,000,000.

Most of the paint concerns depend on other manufacturers for lead, linseed oil, pigments, etc. although there is justification of this in the general ease with which these commodities may be secured, though such concerns as Sherwin-Williams and the National ? Lead Company crush their own linseed and the Sherwin Williams Co. manufactures some of its pigments and colors.

No attempt was made to approach the Sherwin Williams Co. on account primarily of its size and for the further reasons that the location seemed further from our headquarters than was advisable and the personnel of doubtful value.

Early in the investigation Dr. Sparre suggested that our conditions might perhaps be met as favorably as possible by Harrison Bros. & Co. Inc. of Philadelphia. Inasmuch as this concern also manufactures certain inorganic chemicals as well as paint and varnish, examination was postponed until it had been pretty clearly established that it would be extremely difficult to find among the paint manufacturers any concern worth purchasing that conformed at all well to our requirements.

It was believed that the control of Harrison Bros. & Co. was in the hands of Lee Higginson & Company of Boston, who might be willing to dispose of the property. It was found that Lee Higginson & Company held or control 25000 of the 35000 shares of stock (15000 preferred 7% voting non-cumulative and 20000 common) and that they would be willing to put a price upon the stock to the du Pont Company.

The examination of this company as the result of the attitude of Messrs. Lee Higginson & Co. has convinced the writer

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that the paint business of this concern conforms as closely to the requirements above laid down as can be expected and that the acquisition of it would undoubtedly give the best entrance possible into the paint business in the United States. The situation, however, is much complicated by the fact that Harrison Bros. & Co. Inc. not only make paint (and some varnish) but always have been engaged in the manufacture of acids and certain inorganic chemicals which in part have been required in paint manufacture and in part have been sold to the trade, and the chemical business during the past two years has been a source of unusual profit. It is impossible to separate the paint from the chemical business and our examination has been made with the purpose of determining the value to us of the entire proposition as it now is and must be taken if at all.

Before going into details a rough historical sketch of this company may be helpful to an understanding of the situation.

Harrison Bros.(founded in 1793) were pioneers in chemical manufacture in the United States and were one of the earliest manufacturers in this country of sulphuric acid. The manufacture of paints and pigments was taken up early in the concern's history and the brand of "Town and Country" mixed paints is today widely known and favorably regarded in the United States. The corporation of Harrison Bros. & Co. was formed in 1898 with Thomas Skelton Harrison as president and C. Leland Harrison as treasurer, who respectively retired in 1902 and 1903 when Lee Higginson & Co. became interested in the company by reason of a bond issue of $1,300,000 which they underwrote. When the National Lead Company was organized, attempt was made to purchase Harrison Bros. & Co. by the promoters of the former company, but the deal failed, the writer understands from the desire of Thomas Skelton Harrison who was then in control, to secure a higher figure for his stock than the conditions warranted. The desire by Mr. Harrison to sell persisted however probably to the damage of the company's business, and with the result of control passing to the

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hands of Lee Higginson & Company, who, however, gave the company but little financial aid, demanding that the corporation build up its position from its own resources and this process has been going on with varying fortune since 1903.

Attention is now asked to details of this company's business.

HARRISON BROS. & CO. INC.
PROPERTIES AND INTERESTS:

Gray's Ferry: The original plant of Harrison Bros. & Co. is located on Gray's Ferry Road, Philadelphia on the East bank of the Schuylkill River. The area occupied here prior the war was 32-1/5 acres which is valued on the books at $25,000 per acre. The water front is about a quarter of a mile in extent. The size of ocean steamers which can be handled at the dock is limited by the draw bridge of the B. & O. Railroad which will not allow passage of steamers of more than 50 feet beam. This means that the maximum dead weight capacity of ocean steamers that can reach Harrison Bros. is 4000 to 4500 tons. Since the beginning of the war some additional land has been purchased so that the area now occupied is about 40 acres. Exhibit "E" is a schedule which shows the investment in Buildings and Equipment as of September 30th, 1916, and indicates the increases from the appraised value of May 31st, 1916 determined by the American Appraisal Company.

At this plant the manufacturing activities are divided between chemicals, pigments and paints and varnish. Of the chemicals both sulphuric, nitric and mixed acids are made, sulphuric acid being made both by chamber and contact processes, and also aluminum sulphate or alum. These of course are the items of large tonnage. The items of smaller tonnage are lactic acid, acetic acid, zinc sulphate, sodium nitrite, lead nitrate and strontium nitrate.

Under pigments are manufactured lithopone, white lead by the Dutch process, white lead by the Carter process, red lead and litharge, which constitute a large tonnage and aluminum hydrate and other dry colors which constitute a smaller tonnage.

Under paints and varnishes, the colors in oil, the dry

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colors and the ready mixed paints constitute the bulk of the business.

Varnishes made are largely for the consumption of Harrison Bros. in the manufacture of varnish paints. There is not a large outside business done in this article.

All of the chamber sulphuric acid made here is required in the work of the various departments, but since the beginning of the war a sulphuric acid concentrating plant has been installed to produce O.V. from chamber acid purchased from producers not equipped for concentrating. There has also been installed since May first a new contact acid plant. The new boiler plant and power house were beginning operations in October.

This location has been much congested, but with the expansion at Paulsboro referred to hereafter, the completion of the new power plant and improvements under way in general plant equipment, manufacturing can be carried on expeditiously and economically. Shipping facilities by both rail and water are excellent. Inspection of the plant showed that a great deal has been done and is being done to put the property in first class condition.

<u>The Mantua Chemical Co.</u> The President of Harrison Bros. & Co., Mr. Russell Hubbard, who has very favorably impressed the writer, stated that before the war plans had been made, in view of the increasing congestion at Gray's Ferry, to secure additional water front property on the Delaware River. After a long investigation the most feasible site, all things considered, was found at Paulsboro, N.J. on the Mantua Creek about three miles North of our Repauno Works. There Harrison Bros. secured in 1914 250 acres of land of which 150 acres is naturally suitable for building, at a cost of about $30,000. The Mantua Creek is navigable to the Mantua Chemical Company's dock for barges and floats. Lighterage to deep draft vessels is about one-half mile. Mr. Hubbard thinks the site today is worth $400 - $500 per acre.

At about the time this purchase was consummated, in order to take care of the rapidly expanding business in lithopone, Harrison

Bros. & Co. were able to purchase favorably on account of financial difficulties, a portion of the N.Z. Graves Paint Plant in Camden. For legal reasons these New Jersey operations are combined in a corporation called the Mantua Chemical Co., all of whose stock is owned by Harrison Bros. & Co. Inc. though the accounts and expenditures by this Company will not be entirely separated from those of Harrison Bros. & Co. at Gray's Ferry until the end of the fiscal year November 1st, 1916 to October 31st, 1917.

The plant at Camden has been operated as a temporary expedient in the manufacture of lithopone and little has been done to put the original property in good shape. It has however, served the purpose of allowing Harrison Bros. to increase their tonnage in lithopone at favorable prices by about 6000 tons per annum.

At Paulsboro has been constructed a thoroughly modern chamber acid plant of a capacity of about 50,000 tons per annum, and also a concentrating plant for making O.V. The du Pont Co. has recently purchased from this plant 4500 tons of 66° acid for delivery at Hopewell over the first six months of 1917, and negotiations are under way for the purchase of an additional quantity for the last six months. It has been planned to develop at Paulsboro the manufacture of alum on a large scale and draw from the acid plant for such requirements as may from time to time be needed at Gray's Ferry in excess of the plants there. The plant is adjacent to the fertiliser factory of the I.P. Thomas Co. which consumes in the neighborhood of 20,000 tons of chamber acid per annum, of which it manufactures less than half, and will no doubt prove a good customer for a portion of the product of the Mantua plant.

The growth in the sale of strontium nitrate has also made it seem advisable to plan for extension in the manufacture of this chemical at Paulsboro and plans have been made for the manufacture of limited amounts of nitric acid and hydrochloric acid. The

investment here is covered by the item "Mantua Plant" in Exhibit "C".

Harrison Bros. - Chicago. Some years ago the paint business of Harrison Bros. & Co. in the Central States and in the Southwest was conducted by means of branch offices in a good many cities. Convinced that the policy was uneconomical, these offices gradually were abandoned and finally decision was reached that a manufacturing branch which could be supplied with raw or partly manufactured paint products from Gray's Ferry would be advisable. A small paint mixing concern in Chicago (The Riverside Paint Works) was purchased on account of ability under the condition to secure a plant suitable to the work at a very favorable price because of the proximity to large producers of linseed oil. The completion of this organization has really been effected only during the present year. Statement and P. & L. account are given in Exhibit "G".

The National Bauxite Co.

In order to insure it's supply of raw materials for alum manufacture, in the production of which Harrison Bros. seem to have a most excellent standing for special grades, a number of years ago the company associated itself with the Jarecki Chemical Company and Franklin Kalbfleisch in the securing of bauxite properties in Georgia, and later in Arkansas adjacent to the operations of the Aluminum Company of America. The properties in Georgia were rather widely scattered, and this coupled with desire to be alone concerned in the management, led to the recent exchange by Harrison Bros. & Co. with the other stockholders of the Bauxite Company of the Georgia properties for their stockholdings, Harrison Bros. & Co. retaining the Arkansas properties, to which they have added, and which now supply their ore for the manufacture of alum. In Exhibit "C" the statement of assets and liabilities as of September 30th will be found an item "Rome, Ga. Plant - $24,584.88" which is the remnant of the adjustment of the Georgia property, and which Mr. Hubbard, the President, advised the writer might not be worth quite the sum at which it stands on the books,

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which was the original book value. Exhibit "H" gives the balance sheet and six month's P. & L. statement June 30th, 1916 for the National Bauxite Company.

Boyd Smith Mines: In 1914 Harrison Bros. & Company in order to secure a source of sulphur, purchased the Boyd Smith pyrites property situated in Louisa County, Virginia, between the pyrites mine of the Virginia-Carolina Chemical Company, and that of the Arminius Chemical Company. The shipping station is Mineral, Virginia. The area on which prospecting and mining is now being carried on is 360 acres. In addition is owned 730 acres on the other side of the property of the Virginia-Carolina Chemical Company, on which no prospecting has been done as yet. The stock of Boyd Smith Mines, Inc. is $200,000 first preferred, $50,000 second preferred and $50,000 of common. The first and second preferred are 7% non-cumulative stock and the entire stock issue, with the exception of the $50,000 second preferred, which is owned by Mr. Boyd Smith is held by Harrison Bros. & Co.

In Exhibit "C" the item "Boyd Smith Mines - $405,179.58" is the net balance of this account after allowing market price for what pyrites have been taken out to that time against the payment made for the preferred stock and the advances to the Boyd Smith Mines for developing the property.

Although some mining has been done, this property hardly can be called at present more than a prospect, though Mr. Hubbard states that the outlook is very promising and the quality of ore thus far secured satisfactory. The ore as mined runs about 38% sulphur and is concentrated to 42% content before being shipped to Philadelphia.

Whiting Property: This item in Exhibit "C" in the statment of assets is simply real estate held at Whiting, Ind. which is believed to be a valuable site for a future plant for the manufacture of lithopone for Central and Western distribution.

The Essential Oil Specialty Co. This is a small experimental company capitalized at $25,000, of which the American Linseed Co.

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holds one half, $12,500, and Harrison Bros. & Co. the other half. The work to-date in this has been purely of an experimental nature.

Beckton Chemical Co. The holdings in this company constitute a very important element in the composition of Harrison Bros. & Co.'s assets. Exhibit "F" gives the statement of assets and liabilities to August 31st, 1916 of the Beckton Chemical Co., and the earnings from 1908 to 1915 inclusive. Harrison Bros. & Co. own 52% of the capital stock of the Beckton Chemical Co., which will be noted from Exhibit "C" is carried on the books at $104,000 which is the cost to Harrison Bros. The other 48% is owned by Cawley Clark & Company, color manufacturers of Newark, who also own the land and buildings in which is located the machinery covered in the statement of assets and liabilities, Exhibit "F", by the plant account "Meadows" $145,109.22. The plant accounts labeled "Philadelphia" and "Gray's Ferry" are for machinery owned by the Beckton Chemical Co. in buildings at the Gray's Ferry plant of Harrison Bros. & Co. which are leased from Harrison Bros. The Beckton Chemical Co. was the pioneer manufacturer of the zinc pigment lithopone in the United States and today "Beckton White" is the standard for manufacture of this kind. Inspection of the record of profit in Exhibit "F" shows that the business has steadily grown and has been a very profitable one, particularly up to 1915; the shrinkage in profits in 1915 was due to the rapid advance in zinc which took place before supplies of raw material were properly covered. Lithopone is also manufactured by the New Jersey Zinc Company but the competition from this source, the writer is advised, is not severe in view of the fact that the New Jersey Zinc Company can hardly afford to push the sale of Lithopone with vigor without damage to it's sale of zinc oxide which it puts out in competition with white lead.

Although the chemical end of Harrison Bros. & Co.'s business is almost entirely in the manufacture of inorganic chemicals, there are some items that are of particular interest to the

du Pont Company in the development of our plans; for instance the production of nitrite of soda is a by-product in the manufacture of red lead, and nitrite of soda is required in the manufacture of azo dyes which constitute an important line of dyestuffs. We are not making this ourselves in any quantity. Acetic acid is required in the manufacture of several dyes, especially indigo and for several organic chemicals such as acetanilid. Harrison Bros. have no charcoal plant and could be supplied by our Company with acetate of lime. Strontium nitrate gives evidence of being a business that can be conducted satisfactorily in the future as Harrison Bros. appear to have been the only ones in this country to have developed the manufacture on such a scale that they should be able to hold their business at the close of the war. This is a chemical which we ought to make. The expansion planned in the manufacture of alum and lithopone by Harrison Bros. is one that would be well adapted for utilization of facilities at Hopewell where we already have an alum plant and which location is as well adapted as any in the United States for the manufacture of these articles. The production of sulphuric acid at first thought seems to be entirely excess and foreign to our needs, but unless recovered acid could be supplied of such quality as would be satisfactory, there will undoubtedly be calls in the future developments at Carney's Point and Deep Water for weak acid which must be cheap in order to serve its purpose satisfactorily. The nitric acid plants are of course, as far as we are concerned, entirely excess.

It is apparent therefore that while our interest in Harrison Bros. & Co. is primarily on account of the paint and pigment portion of the business, the chemicals that are manufactured are not entirely alien to our interests, and if we were engaged in their manufacture, we might be in a stronger trade position in the future than we would be without them. We would of course prefer that the chamber acid plant at Paulsboro either were smaller or had not been built at all but as it is a fact it must be considered with the whole proposition.

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If purchase of Harrison Bros. is not made now there is no doubt that in another year's time the chemical expansion planned for Paulsboro will be such that the proposition would be of little or no interest to us as it would be probably very largely a duplication of work which we may be attempting at Hopewell. Our interest, therefore in Harrison Bros. is due to the fact that not only are they manufacturers of paints, but they are also producers of pigments and dry colors of which they possess information which would be very useful to us in a future development on a large scale; and aside from the surplus acid capacity their chemicals are also included in the list of things which are of particular interest to our contemplated manufacture.

The location is convenient, both as to connection with our Wilmington Office and the development of the paint business at Parlin. The company bears a good name in the trade and it would be easy to develop a paint business with the "Town and Country" brand to very large proportions. It is easy to see from inspection of what records have been available that there is truth in the assertion of Mr. Hubbard, the President, that the Harrison Bros. & Co. of today is an entirely different proposition from anything which the records show prior to 1915. Exhibit "A" is a statement of comparative sales from 1909 to 1915 inclusive, with a summary of the totals by classification of chemicals and paints. Exhibit "B" which follows gives the statements of assets and liabilities and the profit and loss statement from 1911 to 1915 inclusive. Exhibit "C" is a more detailed statement of assets and liabilities as of Sept. 30th, 1916, compared with the statement at the end of the fiscal year October 31st, 1915. The increase in the sales of paints and varnish from 1915 to 1916 is partly in increased tonnage but more largely in advances in price.

Inspection of Exhibit "B" indicates that there was little available capital for advancement of the business during the period 1911 to 1915. The company's position, however, was

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steadily improving as is witnessed by the ~~original~~ gradual rise of the surplus and the payment of some dividends on the preferred stock, and Mr. Hubbard, the President, stated to the writer, that immediately prior to the war plans had bwen made for a material expansion of their paint business which he felt sure could be accomplished without great difficulty or expense.

The springing up of the great demand for acids of course made it advisable for Harrison Bros. & Co. to centre their attention on this profitable source of income and to neglect their paint business until normal conditions had been again reached. The increase of capital by $1,000,000 in 1916 and the application of a portion of the profits received during 1915 and 1916 not only to the expansion but to the general betterment of manufacturing conditions at Gray's Ferry makes the officials feel very confident that under normal conditions they will be in a much more favorable condition for economical manufacture than they ever have been before. This is probably true.

Mr. Hubbard reported to the writer that the gross profit for 1916 would exceed that shown in estimate (Exhibit "D") which gives the profit by the items of manufacture, and that the net profit estimated there as something less than two millions would be considerably in excess of that figure, so that the surplus of that date would be in round figures $2,400,000 as compared with a surplus of $2,326,227.52 as shown as of September 30th in Exhibit "C".

Lee Higginson & Company have asked $285 per share for the common and couple that with a request that the preferred be taken at par.

The price is based on a surplus of $2,400,000 at the close of the fiscal year 1916 (October 31st), an increased valuation of the stock of the Beckton Chemical Co. and a participation by the stockholders in the estimated earnings for the coming fiscal year (which are believed will reach at least $1,500,000) as follows:

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Surplus Estimated Oct. 31, 1916	$2,400,000
Common Stock	2,000,000
Increase in value of H.B. & Co's share of Beckton Chem. Co. assets	650,000
Stockholders participating in 1917 earnings	650,000
	$5,700,000

20,000 shares common $285 per share.

The stock of Harrison Bros. & Co., according to Mr. Francis L. Higginson Jr., is at present held most largely by original subscribers. There is no trading actively in it. Last quotations give 165 asked 140 bid. Mr. Higginson assured the writer that his firm had endeavored without success to purchase at 165. He thought that practically all of the stock could be purchased, but expressed belief that if agreement as to price were reached, it might be impossible to have all the stock turned in if the purchaser's name were known.

Examination of values is now in order.

A comparison of the plant value at Gray's Ferry, as shown in Exhibit "E", with the corresponding figure in Exhibit "C", shows a discrepancy in round figures of $147,000 (Exhibit "E" total 3,579,163.67; Exhibit "C" "Real Estate Plant, etc." 3,725,901.65). This discrepancy, to be adjusted at end of fiscal year (Oct. 31st) is the difference between book value on May 31st, 1916 and a plant appraisal made by the American Appraisal Company at that time, and is not considered in Mr. Higginson's assumption of a surplus of $2,400,000 at Oct. 31st, 1916.

The land at Gray's Ferry is carried on the books at $805,000 for 32-1/5 acres held prior to 1915. Since then have been purchased about eight acres of adjacent properties, which cost is covered in the general plant account. The failure to give the additional cost of these purchases separately may or may not have significance in relation to the book value of the original tract. The situation is an admirable one for a business that commits no serious nuisance, and we have no positive evidence that the value is too high. It is certain however, in view of nuisance liability, that it is not an ideal locality for the manu-

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facture of such chemicals as nitric acid.

There is no reason to believe that the plant cost of the Mantua Company is otherwise than as given in Exhibit "C". This includes the 250 acres of land at Paulsboro, N.J. at $30,000.

The value of the Boyd Smith mines account , already referred to, as to its composition, will be worth the investment if ore is produced to meet the demands of Harrison Bros. & Co. We shall undoubtedly need chamber acid at Hopewell in time, and this location would be excellent for a sulphur supply at that point as there is no apparent hope of future possibility of securing cheap acid from sulphur.

The value of Harrison Bros. Chicago is dependant on its family relations with the Gray's Ferry Plant, and although the balance sheet (Exhibit "G") shows a writing up of about $31,000 on an appraisal made the year after the purchase of the Riverside Paint Works, we have accepted the par value of the stock as given in Exhibit "C" $193,500($6500 of the stock is held by employes in Chicago).

The bauxite properties in Arkansas, covered by the stock of the National Bauxite Co., Mr. Hubbard considers much better than those in Georgia exchanged for the balance of the Company's stock and although the operations there have not been developed to a large extent, Mr. Hubbard feels sure that par value for the stock is not too high a figure at which to carry it. Careful inspection of the property by competent engineers which has not been possible, would be the only way of determining whether this value and that of the Boyd Smith pyrites property were proper.

Harrison Bros. & Co. are confident that the net earnings ? for 1916-1917 will not be less than $1,500,000 and they might be willing to guarantee this figure. If the earnings amount to this, and $285 were paid for the common stock, and par for the preferred stock, the situation at the end of 1917 might be figured as follows:

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Earnings		[redacted]
5% on mortgage ($1,285,000)	$64,250	
Allow say 10% returns on purchase price – 1,500,000 for preferred; 5,700,000 " common; 7,200,000 @ 10%	720,000	
	784,250	784,250
Balance to apply towards reduction of pur.price		715,750
Purchase Price		7,200,000
Difference		6,484,250
Deduct preferred stock		1,500,000
Cost of common stock end 1917 @ $249 per share.		4,984,250

This would mean that in order thereafter to maintain 10% on the investment earnings of $712,675 must be made.

10% on $6,484,250	= 648,425.00
5% on mortgage($1285000)	64,250.00
	712,675.00

If we are convinced that the earnings 1916-1917 will be as much as $1,500,000 which, under the conditions appears very reasonable, the price we are willing to pay for the stock must depend, on the earnings we believe possible after 1917.

The data given in the exhibits will afford some guide in an estimate of this nature, but the writer feels that there is justice in the claim of Harrison Bros. that with the improvements introduced the past two years, and the present ability to increase the business, the earnings prior to 1915 should not be given too much weight in an estimate of what will be possible in the future on a normal trade basis.

If we refer to the detailed profit statement (Exhibit "D") it will be noted that the largest items are $714,000 for nitric acid and $535,000 for sulphuric acid. The apparent discrepancy between the statement of acid profits in Exhibit "D", and the record of sales of different acids as shown in 1916, in Exhibit "A", is due to the method of book keeping, whereby the profits are credited to the acid radicles that make up the mixed acid sold.

If we apportion the undistributed overhead expense stated in Exhibit "D", the net profits from paint and varnish and from chemicals may be stated in round figures as respectively $345,400

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and $1,582,900.

If comparison is now made between the paint sales of 1916 and 1914 on the basis of 1916 sales and profits, the profit in 1914 would be $246,000. Inspection of Exhibit "B" shows total earnings for 1914 after deducting depreciation and mortgage interest (which are included in the "undistributed overhead" deducted in Exhibit "D" to determine net earnings) of $169,456.94. It is therefore apparent that the earnings in 1916 from paint and varnish have been augmented by either a larger proportion of sales of more profitable products than in 1914, increased prices, larger tonnage, or by all three of these factors. We know that paint prices have been advanced during the past two years and it seems probable that the increase in profit largely came from price advances as the chemical activity has not allowed as much attention to the paint business as in previous years.

A similar comparison may be made of a leading item in the chemicals - alum - where the net profit for 1916, after allowing for overhead, would be $175,000 on sales of $1,015,127.54 (Exhibit "A"). The sales for 1914 were $472,985.74 from which the profit based on 1916 profits (Exhibit "D") would be in round figures $81,000. But the total net profit for 1914 including that from paints, as already noted, is but $169,456.94 (Exhibit "B").

The total differences due to changed conditions are evident by comparing the summaries in Exhibit "A" of chemical and paint sales for 1916 and 1914 with the 1916 profits from Exhibit "D".

From Exhibit "D"	Chem. profits	1916	$1,582,900	Paint Prof.	1916	$345,400
" " "A" (	" sales	1916	5,284,740	" sales	1916	2,102,443
(	" "	1914	676,198	" "	1914	1,524,660

Chemical profits 1914 based on comparison of 1916 sales & profit	$203,000
Paint " " " " " " " " " "	235,000
Total	$438,000

Actual net profits for 1914 $169,456

This makes evident how far removed the present conditions are from those preceding 1915, but does not give much help in predicting the future.

The increase in the use of lithopone (the growth in this

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is shown by Exhibit "F" giving the record of the Beckton Chemical Company) and the general improvement in manufacturing conditions at Gray's Ferry make it seem not unreasonable to believe that in the future Harrison Bros. and Co. can maintain earnings of $300,000 from the paint and varnish end of the business.

The president of Harrison Bros., Mr. Hubbard, stated to the writer that the present equipment at Gray's Ferry could manufacture, without additions, double the quantity of paint sold in 1914.

The future earnings from chemicals is necessarily uncertain. There will of course be some market for the acids, but prices in due time must be very low and tonnage reduced.

The trade in strontium nitrate is certainly growing. Having first started the business in the U.S. Harrison Bros. should be able to reduce costs and hold future trade, but it cannot be expected that a few years hence the present rates of profit can be maintained, and there also must be a fairly well defined limit beyond which expansion cannot go in a definite time without running the risk of over production.

The alum business has seemed to hold forth enough future possibilities to warrant plans for a large expansion in this manufacture at Paulsboro.

Attention already has been called to the desirability of manufacturing these water soluble inorganic salts at Hopewell.

If we assume that after 1917 profits from the chemicals will be but one eighth of the 1916 profits from this source as shown in Exhibit "D", they would be $200,000.

It hardly seems reasonable that if 1916-1917 earnings prove to be $1,500,000 that in 1917-1918 they will drop as low as $500,000 ($200,000 chemicals and $300,000 paints). On the ground however of belief in ability to average these returns after 1917, apparently we might pay as much as $210 for the common stock. If a price of $210 is paid for the stock in 1916 and the 1917 earnings are $1,500,000 we have results as follows:

Earnings 1916-1917		$1,500,000
5% on mortgage ($1,285,000)	$64,250	
Allow for 1916 - 1917 10% on		
Purchase price 1,500,000 for pfd. stock		
Common stock @ 210		
4,200,000	570,000	
5,700,000 @ 10% =	634,250	634,250
Applicable to reduction of purchase price		865,750
Purchase price		5,700,000
Cost at end of 1917		4,834,250
Less preferred stock		1,500,000
For common stock		3,334,250
(20,000 shares) =		$166.71 per share.

Earnings after 1917 of $500,000 give a return on purchase price as adjusted at end of 1917 of 9.0%.

Earnings	500,000
Less mortgage interest	64,250
	435,750

$$\frac{435,750}{4,834,250} = 9.0\%$$

If we insist on a return on the investment of at least 10% either of three factors must be changed; - the price for the stock must be lowered; we must feel sure that earnings can exceed $500,000; or that particularly favorable trade conditions will continue through 1918 so that returns will be sufficiently in excess of 10% on original investment to reduce the purchase price enough to allow thereafter a 10% return with earnings of $500,000.

The net tangible assets of Harrison Bros. as of Sept. 30, 1916 (Exhibit "D") will be as follows:

The Beckton Chemical Co. (Exhibit "F") shows capital and surplus of $723,255.64. No good will is carried in the assets. 52% (the proportion of Beckton stock owned by H.B. & Co.) is $376,092.93. Deducting from this the figure ($104,000) at which the Beckton stock is carried on H.B. & Co's books, we have $272,092.93 which may be considered as an allowable addition to the book value of H.B. & Co.'s assets.

As already noted the investment at Gray's Ferry should be adjusted by $147,000.

Then we have total liabilities Sept. 30, 1916,

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Exhibit "C"		$8,577,298.65
Less capital	$3,500,000.00	
and surplus	2,326,227.52	5,826,227.52
		$2,751,071.13

Total assets Sept. 30,1916		$8,577,298.65*
Less good will acct.	250,000	
" adjust.forG.V.	147,000	397,000.00
		8,180,298.65
Add increase in Beckton value		272,092.93

		8,452,391.58
	Net worth	5,701,320.45

This is almost exactly what the initial cost would be with common stock at $210. It will be noted that any allowance over the above figure for good will must diminish the return on investment unless earnings in excess of $500,000 after 1917 can be maintained.

However, it must be noted from Exhibits "B" and "C" that the plant account increased from 1914 to 1915 by $276,207.84. Further consideration of Exhibits "B" and "C" shows that from October 31st, 1915 to Sept. 30, 1916 the plant account (including the $227,557.50 written off in 1915) covering Gray's Ferry and the Mantua Chemical Company (Paulsboro and Camden) was increased $1,926,584.32. This means an increase fro Oct. 31, 1914 to Sept. 30th, 1916 of $2,202,792.16 of which, as shown in the 1915 statement (Exhibit "B") there was written off $227,557.50. If we assume that one half of the total plant increase, or $1,101,396.08, should be written off for the period, the deduction from the net worth above determined will be $1,101,396.08 less $227,557.50 = $873,838.58.

Net worth	5,701,320.45
Write off	873,838.58
	4,827,481.87
Pur.Price	5,700,000.00
Good Will	872,518.13

The writer is not at all hopeful that Messrs. Lee Higginson & Co. would sell at $210 on the basis of Sept. 30th statement and give assurances of earnings for 1916-1917 of $1,500,000 but if the propert can be secured for this figure he

*Inventories in the statement of Sept. 30, 1916 (Exhibit "C") are at cost price if below market price and at market price if the market is lower than cost.

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recommends purchasing, because:

I. Immediate entrance is secured to the paint business which will allow us to acquire thorough familiarity with the industry before we are ready for expansion at our own locations.

II. Harrison Bros. & Co. can give us the best general knowledge procurable by the purchase of a going concern.

III. The chemical features of the business harmonise with several of our plans for future development.

IV. If Harrison Bros. & Co. are not purchased now their planned extensions will, by another year, render the proposition of but little value to us at least from the standpoint of chemical manufacture.

V. Purchase of Harrison Bros. & Co. will remove what undoubtedly will be in a short time a powerful factor in the paint trade, and a very possible competitor in chemical lines we may desire to take up.

VI. The size of the proposition does not appear out of proportion to developments possible in the next few years at our own plants.

VII. The situation at Gray's Ferry is now being adjusted, and may be more carefully fitted for the most advantageous manufacture at that point while chemical manufacture expansion desired may be carried on at our own plants - probably Hopewell.

VIII. The sites at Gray's Ferry and Paulsboro are valuable, and undoubtedly saleable if future development makes removal desirable.

APPROVED BY: PREPARED BY:

R. R. M. CARPENTER C. A. MEADE

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COMPARATIVE SALES - H. B. & CO. INC.

	1909	1910	1911	1912	1913	1914	1915	1916
Alum	463222.47	512103.98	495621.70	512535.97	4 9636.23	472935.74	555412.41	1015127.54
Acetic Acid	133017.37	12469 .84	92252.21	59071.98	105968.62	55341.84	114176.01	403226.51
Lactic Acid	23380.02	19422.38	22144.67	33243.01	32489.12	32041.63	60122.01	96234.47
Sulp. "	142491.45	153077.66	122939 .98	126085.76	103850.75	52387.40	21 260.94	747539.49
Mur. "						6507.20	9763.10	94778.40
Nitric "	25176.30	24526.85	17369.01	10623.23	6696.80	10298.58	13509.94	216847.95
Mixed "	2243.14	2049.[illegible]					469883.18	2204652.23
Nitrite Soda	13627.01	22458.95	25123.79	27458.93		14415.70	18782.03	75165.07
Nitrate Lead	14764.90	10656.01						
Stront. Nit.							155599.12	362759.48
Zinc. Sulp.							27030.55	61176.87
Misc. Chem.	38.39	43.77	14.51	12.17	28236.57	2266.35	4492.47	7232.66
Total Chem.	817961.05	569038.43	778465.87	799034.05	766878.09	676198.44	1647056.76	5284740.57
Lead Prods.	306358.36	334766.50	292344.75	408645.47	458297.48	69458.54 Chgo. 340530.38 Phila. 409988.92	53451.29 466725.08 520176.37	50161.57 794899.36 845060.88
Paint & Varnish	962968.04	895765.27	895446.11	977672.18	1086921.18	301660.60 683892.60 985553.20	297174.10 645036.94 942211.04	494228.84 695957.49 1190186.33
Color Making	62738.18	94872.80	102346.73	112416.86		17553.31 94803.51 112356.82	24376.78 90239.39 114615.18	7468.15 43163.47 50631.62
Alumina Hyd.						2042.10 14719.78 16761.88	2233.40 12585.92 14819.32	3708.80 12855.71 16564.51
Paint Total	1332064.58	1325404.57	1290137.59	1498734.51	1545218.66	1524660.82	1591821.90	2102443.34
Grand "	2150025.63	2194443.00	2068603.46	2297768.56	2312096.75	2200859.26	3238878.66	7387183.91

- SUMMARY -

	CHEMICALS	PAINT V.	TOTAL -
1909-	817961.05	1332064.58	2150025.63
1910-	569038.43	1325404.57	2194443.00
1911-	778465.87	1290137.59	2068603.46
1912-	799034.05	1498734.51	2297768.56
1913-	766878.09	1545218.66	2312096.75
1914-	676198.44	1524660.82	2200859.26
1915-	1647056.76	1591821.90	3238878.66
1916-	5284740.57	2102443.34	7387183.91

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Assets	1910	1911	1912	1913	1914	1915
Real Est. &c.	2367740.22	2351917.82	2410705.59	2537942.12	2658020.16	2944228.-
Patents Goodwill &c.	530145.83	430000.-	250000.-	250000.-	250000.-	250000.-
Stock other Comps.	163464.95	214908.50	287005.31	429735.41	522116.27	616057.97
Inventory	405212.49	516225.47	593876.37	499849.88	623566.70	976499.69
Bills & Acct.Rec.	464977.53	406691.50	423636.71	412645.27	393664.24	624028.58
Cash	212734.45	110725.12	89473.31	115959.95	90534.71	248906.08
Unev. Ins. Taxes &c.	6251.03	4709.72	4791.95	4628.77	5045.83	23028.81
	4150426.43	4065178.13	4059489.24	4250761.40	4552997.91	5682749.13

Liabilities	1910	1911	1912	1913	1914	1915
Cap. Stk.Pfd.	1500000.-	1500000.-	1500000.-	1500000.-	1500000.-	1500000.-
" " Comm.	1000000.-	1000000.-	1000000.-	1000000.-	1000000.-	1000000.-
1st.Mort.Bonds	1300000.-	1300000.-	1300000.-	1300000.-	1300000.-	1300000.-
Accts.Pay.	71294.05	56149.22	88586.50	109394.98	150704.66	456451.17
Accrued Wages	13158.72	14145.39	15051.05	14593.71	18285.54	25665.75
" Bond int.	32500.-	32500.-	32500.-	32500.-	32500.-	32500.-
Sundry Reserves	97496.57	17035.77	8000.-		3378.06	107292.51
Dividend Acct.	60000.-	60000.-				
20 Surplus.	75977.09	85347.75	115351.69	203672.71	328129.65	558289.70
Bills Pay.				90600.-	220000.-	702750.-
	4150426.43	4065178.13	4059489.24	4250761.40	4552997.91	5682749.13

Profit Loss-	1911	1912	1913	1914	1915
Profit for year	341355.92	385003.94	338321.02	354456.94	698967.55
Chg.Deprec.Fund	106839.43	110000.-	110000.-	120000.-	120000.-
	234516.49	275003.94	228321.02	234456.94	578967.55
Int.on Mortg.Bonds.	65000.-	65000.-	65000.-	65000.-	65000.-
	169,516.49	210003.94	163321.02	159456.94	* 513967.55
Dividends	60,000.-		75000.-	45000.-	56250.-
Chg.vs. book val.Patent &c.	109516.49		88321.02	124456.94	457717.55
Rights,Goodwill &c.	100145.83	180000.-			* 227557.50
Net Surplus for Yr.	9370.66	30003.94	88321.02	124456,94	230160.05
Previous Surplus.	75977.09	85347.75	115351.69	203672.71	328129.65
Bal.	85347.75	115351.69	203672.71	328129.65	558289.70

* New construction charged off -

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EXHIBIT "C".

9/30/16

ASSETS AND LIABILITIES.

H.B.& CO., INC.

	Sept.30,1916.			Oct. 31,1915 (Fiscal yr.end)
Real Est.,Plant Ac.	$3,725,901.65			$2,944,328.00
Mantua Plant	917,353.17	$4,643,254.82		
H.B.& Co. Chicago	193,500.00			
H.B.Bonds bought (96 bonds bought in 15 retired)	82,437.50ɸ			
Boyd Smith Mines	405,179.38			
Beckton C.Co.(Purchase Price)	104,000.00			
Natl.Bauxite Co.	105,500.00			
Essential Oil Spec.Co.	12,500.00			
Rome,Ga. Plant	24,580.88			
Whiting Property	11,694.20			
Other Investments	4,306.32	$ 943,698.28	Stock Other Companies	$ 616,057.97
Inventory G.F.	$1,529,166.41		Inventory	976,492.69
" Mantua	392,382.12	$1,921,548.53		
Patent Rights, Good will, etc.	250,000.00	250,000.00		250,000.00
Bills & Accts. Rec.	592,700.64	592,700.64		624,038.58
Unex.Ins. & Taxes	10,877.96	10,877.96		23,028.81
Excess Repro. & Replac.	112,648.87	112,648.87 — ?		------
Cash	102,569.55	102,569.55		248,806.08
Total	$8,577,298.65	$8,577,298.65		$5,682,749.13
Captial Stock Pfd. Konoum.		$1,500,000.00		$1,500,000.00
" " Common		2,000,000.00		1,000,000.00
1st Mortgage Bonds		*1,285,000.00		1,300,000.00
Bills Payable		943,500.00		702,750.00
Accts. "		402,036.32		456,451.17
Accrued Wages		37,156.54		25,665.75
" Bond Interest		26,770.83		32,500.00
" Div.On Pfd. Stock		17,500.00		-----
Sundry Reserve Acct.		39,107.44		107,092.51
Surplus		2,326,227.52		558,289.70
		$8,577,298.65		$5,682,749.13

* - 15 bonds retired.

ɸ - 86 bonds bought in at $82,437.50.

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Exhibit "C"

EXHIBIT "D"

Profit by items for fiscal year ending October 31st, 1916 estimated from the last available P. & L. statement dated July 31st, 1916 - Nine months of the fiscal year.

CHEMICALS	Credits	PAINTS & PIGMENTS	Credits
Acetic Acid sales	117,600	Red Lead Sales	113,000
Lactic acid "	46,100	White " "	46,700
Mixed acid "	55,300	Colors in oil "	55,900
Muriatic Acid "	36,400	Color Making (Dry) Sales	87,300
Sulphuric " "	535,000	Pure Lead Sales	11,800
Nitric " "	714,000	Ready Mixed "	108,000
Acetate of Soda Sales	700	Blanc Fixe	2,600
" " Lead "	900	Color Making (Red)	1,900
Alum Sales	189,300	White Paint Sales	23,500
Aluminum Hydrate "	1,500	Varnish Mixed Sales	38,400
Chemical Misc. "	2,200		
Nitrite of Soda "	30,800		
Strontium Nitrate "	84,000		
Total Credits Chemicals	1,813,800	Total Credits Paints	387,400
Less sundry debits	39,900		
	1,773,900		387,400
Based on the 9 months statement the 12 mos. overhead will be $233,000 (including bond interest and depreciation)	191,000		42,000
	1,582,900		345,400
			1582,900
		Total Net.	$1,928,300

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Exhibit "D"

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APPRAISED PLANT VALUE MAY 31, 1916.

DEPARTMENT	BUILDINGS	EQUIPMENT	TOTAL	ADDITIONS MAY 31 TO SEPT. 30.	TOTAL	GRAY'S FERRY PLANT
#1 Chamber	43516.43	57724.98	101341.41		101341.41	
#2 Chamber	82309.07	126918.51	209227.58		209227.58	
Alum	61647.34	146532.31	208179.65	11276.11	219455.76	
Acetic Acid	7746.95	36453.83	44200.78	6340.24	50541.02	
IronFreeAlum		1500.00	1500.00		1500.00	
MuriaticAcid	4751.16	26271.14	31022.30	691.40	31713.70	
NitricAcid	32711.73	108550.93	141262.66	22839.73	164102.39	
KalbfleischTowers	18055.27	50226.21	68281.48		68281.48	
#3 Chamber	15706.95	75909.59	91616.54		91616.54	
#4 Chamber	15706.99	75909.57	91616.56		91616.56	
StrontiumNitrate	4953.02	19731.52	24684.54	689.30	25373.84	
LightLacticAcid	8102.87	17358.62	25461.49	504.87	25966.36	
Dark " "	7245.30	7420.05	14665.35		14665.35	
Contact Acid	36528.16		36528.16	176654.90	213183.06	
O.V.				8432.08	8432.08	
NitrateStorage				1946.54	1946.54	
" BagWash				1430.66	1430.66	
Total Chemical					1320394.33	1320394.33
White Paint	18957.00	18324.64	37281.64	921.62	38203.26	
Printing and ColorPrint	14364.37	15806.83	30171.20		30171.20	
ReadyMixed	17710.89	16588.98	34299.87		34299.87	
Shipping		2500.00	2500.00		2500.00	
AluminaHydrate	8021.72	10515.87	18537.59		18537.59	
WhiteLead	58256.15	100765.83	159021.98	12583.50	171605.48	
Cooperage	2224.86	2086.48	4311.34		4311.34	
RedLead	10132.54	26713.02	36845.56	6432.44	43278.00	
Oxide		9200.00	9200.00		9200.00	
LeadRecovery	1336.53	1648.47	2985.00		2985.00	
ColorGrinding	35670.80	59122.35	94793.15	691.68	95484.83	
" Making	6995.29	11027.22	18022.50		18022.51	
Varnish	10405.74	13927.37	24333.11		24333.11	
ColorMakingRed	2498.14	3709.10	6207.24		6207.24	
BlancFixe	1867.32	5087.23	6954.55	1631.00	8585.55	
Vitreosil	4607.93	9240.70	13848.63		13848.63	
ZincSulphate	2406.26	5895.09	8301.35		8301.35	
ZincRoasting				22391.46	22391.46	
DutchWhiteLead	54012.73	5987.27	60000.00	380.85	60385.85	
BecktonLithopone	16775.42	6469.38	23244.80		23244.80	
" "	51418.83	4206.71	55625.54		55625.54	691522.52
Total Paint						
Power	79350.74	211443.68	290794.42	105170.52	395964.94	
Mch.&Carp.Shops	3897.79	35772.98	39670.77	11885.20	51555.97	
Office	21296.00	15395.87	36691.87	6702.00	43393.87	
Laboratory		8000.00	8000.00	3820.65	11820.65	
Sanit.&Accid.Prev.			2245.34		2245.34	
Store		1500.00	1500.00		1500.00	
Service Room		3000.00	3000.00		3000.00	
Restaurant	2912.64	506.91	3419.55		3419.55	
Stable&Garage	10475.27	968.51	11443.78		11443.78	
Dwellings	7500.00	00.50	7500.50		7500.50	
General(Roads,etc.)		195407.87	195407.87	26986.48	222394.35	
Miscellaneous				8107.87	8107.87	
Land					305000.00	
					1567346.82	1567346.82
						3579163.67

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yme 455

Exhibit "E"

EXHIBIT "F".

THE BECKTON CHEMICAL COMPANY

AUGUST 31st. 1916.

ASSETS

PLANT A/C Newark	$ 28,703.76	
" " Meadows	145,109.22	
" " Philadelphia	55,073.22	
" " Grays Ferry	106,831.38	
" " Acid	406,629.24	
" " Land	21,000.00	$763,936.83
Cash	$ 42,288.57	
Accounts Receivable	178,418.83	
Acceptances Receivable	23,335.00	
Inventory	291,031.01	
Unexpired Insurance	5,569.88	540,643.29
		$1,303,580.11

LIABILITIES

Capital Stock	$ 250,000.00
Accounts Payable	111,663.12
Notes Payable	390,000.00
Reserve for Depreciation	78,469.35
Reserve for Insurance	193.00

PROFIT & LOSS A/C

PROFIT - November	'15	$ 4,871.03		
December	'15	14,359.99		
January	'16	34,930.13		
February	'16	35,833.38		
March	'16	59,661.63		
April	'16	61,644.85		
May	'16	106,601.34		
June	'16	77,796.45		
July	'16	65,036.01		
August	'16	61,654.93	$522,289.53	
Managerial Expense 10 months			185,290.21	
			$336,999.32	
SURPLUS, 11/1/15			135,256.32	
SURPLUS, 8/31/16				$ 472,255.64
				$1,303,580.11

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Exhibit "F"

BECKTON, CHEMICAL COMPANY

FISCAL YEARS, ENDED OCTOBER 31st.

	1908	1909	1910	1911	1912	1913	1914	1915
Profits	$46.048.	$62.795.	$89.167	$119.906	$103.578.	$199.987.	$325.851.	$174.877
penses	1.309.	1.537.	3.346.	6.628.	55.283.	85.858.	101.563.	130.312.
[illegible]	$44.739.	$61.258.	$85.821.	$113.278.	$ 48.295.	$114.129.	$224.288.	$ 44.565.
idends Paid	35.000.	40.000.	60.000.	60.000.	25.000.	25.000.	100.000.	10.000.
SURPLUS	$ 9.739.	$21.258.	$25.821.	$ 53.278.	$ 23.295.	$ 89.129.	$124.288.	$ 34.565.
(Amount)	$174.012.	252.139.	$45.963.	$468.565.	$585.278.	$811.027.	$963.876.	$1.182.559.
(Tons)	2,230	3,400	4,750	6,400	7,900	10,448	12,695	14,975
T PER TON	$20.06	$18.00	$18.00	$17.70	$12.50	$ 19.24	$25.77	$11.67

* Up to the year 1912, the executive and selling expenses were borne jointly by H.B. & Co. Inc. & C.C. & Co. without charge to the B.C.Co. Commencing in 1912, a charge of 10% on sales was charged up and paid to H.B. & Co., Inc., and to C.C. & Co., in proportion to their stock interest.

** Before deducting depreciation.

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HARRISON BROS. & CO., INC. OF CHICAGO

BALANCE SHEET, 30th June, 1916.

A S S E T S:

Cash in bank and on hand		$12,147.59
Accounts Receivable	$126,073.63	
Less, Reserve for Uncollectible Accounts	600.00	125,473.63
Inventories of Product - Material & Supplies		76,636.82
		214,258.04
Deferred Charges to Operations:		
Prepaid Insurance	1,350.96	
Advertising Matter	2,390.23	
Advances to Salesmen	1,175.00	
Charter Fee	345.00	
Interest	99.82	5,361.01
Real Estate, Buildings, Machinery, etc.:		
Real Estate	15,889.00	
Buildings	45,079.85	
Machinery, etc.	22,287.31	
Motor Trucks and Automobile	5,335.92	
Furniture and Fixtures	5,447.18	
Print Shop Equipment	1,663.18	95,702.44
		$315,321.49

L I A B I L I T I E S.

Bills Payable		$55,000.00
Accounts Payable:		
Harrison Bros. & Co. Inc. Phila.	$11,797.56	
Miscellaneous	7,816.93	19,614.49
		74,614.49
Accrued Accounts:		
Rent, Taxes, etc.	579.14	
Salesmen's Commissions	750.00	1,329.14
		75,943.63
Reserve for Depreciation		2,940.99
		$78,884.62

CAPITAL AND SURPLUS:

Capital Stock		$200,000.00	
Surplus:			
Profits for Six Months as Annexed	$5,463.71		
Excess of Appraisal value of plant, over book value, March 1916*	30,973.16	36,436.87	236,436.87
			$315,321.49

*Am. Appraised.

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Exhibit "G"

PROFIT & LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30th JUNE, 1916.

S a l e s				$384,805.05
Less, Allowances, etc.				851.18
Net Sales				383,953.87
Cost of Sales:				
Materials consumed			$289,988.80	
Labor (Direct)			4,284.12	
Pakages			12,730.26	
Freight			2,043.52	
			$309,046.70	
Factory Expenses:				
Labor, Non-productive		$7,096.89		
Maintenance		3,747.11		
Depreciation		2,940.99	13,784.99	
				322,831.69
		Gross profit		$61,122.18

	Chicago	Minneapolis	Totals
Selling Expenses:			
Salesmen's Salaries & Commissions	$11,029.85	$3,630.00	$14,659.85
Salesmen's Expenses	6,021.76	2,763.97	8,785.73
Advertising Matter	3,980.51	916.57	4,897.08
Freight and Cartage	2,313.65	1,248.88	3,462.53
Miscellaneous	3,125.72	354.80	3,480.52
	$26,371.50	$8,914.22	$35,285.72
Kansas City Warehouse Expense			393.63
Kansas City Insurance			13.75
Total Selling Expenses			$35,693.10
General Expenses:			
Salaries	$8,398.07	$4,633.57	$13,031.64
R e n t	1,116.52	600.00	1,716.52
Insurance	1,058.52	29.97	1,088.49
Postage	677.43	221.47	898.90
Office Supplies	370.78	70.53	441.31
Collection	59.08	41.59	100.67
Miscellaneous	1,351.29	277.77	1,629.06
	$13,031.69	$5,874.90	$18,906.59
Reserved for Uncollectible Accounts, less collections of accounts previously charged off			219.98
Appraisal Expenses			530.00
Total General Expenses			$19,656.57
Total Selling and General Expens.			55,349.67
Profit from Operations			$5,772.51
Other Income:			
Allowance by Harrison Bros. & Co., Inc., Phila., for collection of old branch and Riverside PaintCo. Accounts			2,525.87
Profit before Interest and Adjustment of Affiliated Companies' Accounts			$8,298.38
Interest and Discount			2,834.67
Profit before Adjustment of Affiliated Companies' Accounts			$5,463.71

"H"

NATIONAL BAUXITE COMPANY

BALANCE SHEET, 30th June, 1916.

A S S E T S:

Cash in bank and on hand			$6,727.62
Bills Receivable		$996.57	
Less Reserve for Doubtful Bills Receivable		996.57	
Accounts Receivable:			
Harrison Bros. & Co., Inc.		12,085.54	
F. H. Kalbfleisch Co.		5,153.03	
Warecki Chemical Co.		1,063.38	
Miscellaneous		6,102.76	24,404.71
Inventories - Ore, Supplies and Merchandise at book values			4,110.61
			$35,242.94
Real Estate, Buildings and Equipment at book values:			
Real Estate and Mining Rights		37,865.62	
Buildings and Equipment		26,735.16	64,600.78
			$99,843.72

L I A B I L I T I E S:

Accounts Payable:			
Mine Manager	$112.70		
Boyd Smith Mines, Inc.	351.80		
Miscellaneous	4,993.35		$5,457.85
Accrued Accounts:			
Taxes	332.44		
Royalties	120.29		452.73
			$5,910.58

CAPITAL and SURPLUS:

Capital Stock, authorised and issued		$100,000.00	
Less, in Treasury		17,500.00	
		82,500.00	
Surplus, Jany. 1, 1916	$1,426.37		
Profit for the six months ended June 30, 1916 as annexed	10,006.77	11,433.14	
			$93,933.14
			$99,843.72

Subject to allowances for Depletion of Mines, Depreciation on Buildings and Equipment and Adjustment of Inventories.

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PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 1916.

Sales of Bauxite	$40,296.03	
Less Discounts	48.31	
	40,247.72	
Cost of Sales	14,871.01	
Gross profit		$25,376.71
Selling, Administrative and General Expenses:		
Royalties	6,575.62	
Traveling Expenses	540.41	
Laboratory Expense	620.86	
Prospecting	15.95	
Legal Expenses	418.05	
Mine Manager's Salary and Expenses	1,248.06	
Mine Office Expenses	652.86	
Philadelphia Office Expenses	131.96	
General Expenses	1,054.33	
Uncollectible Accounts, Written off	680.47	
Reserved for Doubtful Bills Receivable	996.57	
Taxes	450.00	
		13,385.14
		$11,991.57
Other Income:		
Steam Shovel Rental.	500.00	
Discount on Purchases	2.23	
Interest on Bank Balances	46.16	
		548.39
Profit before Allowances for Depletion of Mines, Depreciation of Plant and Equipment, Adjustment of Inventories and Extraordinary items.		12,539.96
Extraordinary Items:		
Loss on Sales to Harrison Bros. & Co., Inc., or Real Estate, Equipment and Ore	2,868.58	
Less, Equity in Commissary Turned over by former Mine Manager	285.39	
		2,583.19
Profit before Allowances for Depletion of Mines, Depreciation on Buildings and Equipment and Adjustment of Inventories.		$10,005.77

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Government's Exhibit No. 114

PIERRE S. DU PONT

Net Purchases of Common Stock of General Motors Company, Chevrolet Motor Company and General Motors Corporation, 1914–1917.

Date	General Motors Co. (N. J.) Net Shares Purchased	General Motors Co. (N. J.) Net Price Paid	Chevrolet Motor Co. Net Shares Purchased	Chevrolet Motor Co. Net Price Paid	General Motors Corp. (Del.) Net Shares Purchased	General Motors Corp. (Del.) Net Price Paid	Total Net Price Paid (Cumulative)
4/28/14–12/31/14	2,005	$135,092.50					$ 135,092.50
1/ 1/15–12/31/15	230	73,460.00					208,552.50
1/ 1/16– 5/ 9/16	100	9,541.45					218,093.95
	2,335*	$218,093.95					
5/10/16–12/31/16			{11,155**	—			
			3,000	$ 752,601.00			970,694.95
1/ 1/17–12/20/17			5,950	501,281.76	5,100	$531,837.50	2,003,814.21
HELD at 12/20/17			20,105	$1,253,882.76	5,100	$531,837.50	$2,003,814.21

* Exchanged for common stock of Chevrolet Motor Company.

** Received on exchange of stock of General Motors Company.

Government's Exhibit No. 115

IRENEE DU PONT

Net Purchases of Common Stock of General Motor Company and Chevrolet Motor Company, 1914-1917

	General Motors Co. (N.J.)		Chevrolet Motor Co.		
	Net Shares Purchased	Net Price Paid	Net Shares Purchased	Net Prices Paid	Total Net Price Paid (Cumulative)
1/1/14-6/4/14	400	$27,075.00			$27,075.00
6/5/14-12/31/14	(*100*)	(*7,016.67*)			$20,058.33
1/1/15-12/31/15					$20,058.33
1/1/16-5/9/16					$20,058.33
	300*	$20,058.33			
5/10/16			1500**	$ 4,500.00	$24,558.33
5/11/16-12/31/16			(*500*)	(*8,186.11*)	$16,372.22
1/1/17-12/20/17			300	19,375.00	$35,747.22
			1300	$15,688.89	$35,747.22

* Exchanged for common stock of Chevrolet Motor Company.

** Received on exchange of 300 shares of General Motor Co. Common and $4,500 in cash.

( ) Indicates sales.

Government's Exhibit No. 116

September 17, 1915

J. A. Haskell, Esquire,
New York City.

My dear Haskell:

I must apologize to you for taking liberties with your name in a meeting that was held in New York yesterday. The facts are these:

For some time I have been a modest holder of General Motors stock and recently was informed that on account of the lapse of the Voting Trust on this stock the share holders proposed reorganizing the Board under the direction of Mr. Kaufman, of the Chatham & Phenix Bank, by whom I was requested to become a member of the new Board. It later developed that there was a contest between the old faction and the new, both claiming control of the company. Raskob who has also been interested in the situation and I were requested to attend a meeting in New York yesterday at which a Board satisfactory to both sides was proposed. We appeared at this meeting and found an absolute "deadlock". After quite six hours discussion each side had nominated six men, of which I was one of the Kaufman side. While I was absent talking with the latter for a few minutes, the oppsing side said they would be contented if three names were added to the Board by me. To this proposition Mr. Kaufman assented; each side stipulating that the new comers should not be connected with either faction. Knowing your record as a

Director and your interest in affairs in general, I took the liberty of mentioning your name and also that of Lammot Belin, who is equally unacquainted with the situation. Raskob was present and could answer for the suggestion of his own name. These three were accepted as satisfactory and the meeting broke up with the agreement that the old Board would propose a proxy committee to solicit proxies for the names given. I had no thought that this list would be made public, though I confess—in the hurry of leaving—I did not make certain of such an understanding. Raskob tells me that he had you on the telephone as soon as he noticed that the news had been given out and that you were willing. It is my judgment that the Directors will now work together, having decided upon a policy and that we are not entering a Board full of friction. The company has done so well and is in such fine shape that I do not think we need fear responsibilities of the duties to start with. It will be my policy to try to be informed and I hope that you will take the same position. I have no intention of being a "dummy" director.

As the price of General Motors stock is now fairly high and as you may not wish to become a shareholder at this price, I suggest that I furnish you with some shares which I shall be glad to average with those obtained by me some time ago. Will you let me know your wishes.

Note. At top of page 1 is written "P624" and "Duplicate from file of P. S. duPont" and there is stamp "Jan 16 1949." "P. S. du Pont" is stamped across each page.

Government's Exhibit No. 117

GENERAL MOTORS COMPANY

DETROIT, MICHIGAN

December 2, 1915

Mr. Pierre S. duPont,
E. I. duPont deNemours & Co.,
Wilmington, Del.

Dear Mr. duPont:

We have prepared a list of the Directors, Committee Members, and Officers of this Company and, having some extra copies, are enclosing one thinking you would find it useful.

Yours very truly,

Office of the President

/S/ M. K. DOHERTY

NOTE. At top are Received and Answered stamps of P. S. Du Pont dated Dec 6—1915.

Personnel of General Motors Company

Directors

F. L. Belin	Aetna Explosives Co.	2 Rector St.	New York
Arthur G. Bishop	Genesee County Savings Bank		Flint, Mich.
Emory W. Clark	First & Old Detroit Natl Bank		Detroit, Mich.
Pierre S. duPont	E. I. duPont deNemours & Co.		Wilmington, Del
W. C. Durant	Chevrolet Motor Co. of N. Y. Inc.	57th St. & 11th Av	New York
J. A. Haskell	E. I. duPont deNemours & Co.	19 Cedar St.	New York
L. G. Kaufman	Chatham & Phoenix Natl Bank		New York
J. H. McClement		165 Broadway	New York
C. S. Mott	Weston-Mott Co.		Flint, Mich.
C. W. Nash	General Motors Company		Detroit, Mich.
Thomas Neal	Acme White Lead & Color Works		Detroit, Mich.
S. F. Pryor	Remington Arms—Union Metallic Cartridge Co.	233 Broadway	New York
J. J. Raskob	E. I. duPont deNemours & Co.		Wilmington, Del
Chas. H. Sabin	Guaranty Trust Company		New York
J. J. Storrow	Lee, Higginson & Co.	44 State St.	Boston, Mass.
Albert Strauss	J. & W. Seligman & Co.	1 William St.	New York
Albert H. Wiggin	Chase Natl Bank		New York

Chairman — Pierre S. duPont

Finance Committee

L. G. Kaufman
C. H. Sabin
A. H. Wiggin

Executive Committee

F. L. Belin
A. G. Bishop
Emory W. Clark
W. C. Durant
C. W. Nash
C. S. Mott
J. J. Storrow
Albert Strauss

Chairman — J. J. Storrow

Officers

President	C. W. Nash
Vice President	A. G. Bishop
" "	Emory W. Clark
Treasurer	Jas. T. Shaw
Secretary	Standish Backus
Comptroller	W. H. Alford
Asst. Treas.) " Secy.)	T. S. Merrill
Asst. Comp.	Wm. P. Winch

Government's Exhibit No. 118

CHEVROLET MOTOR COMPANY

New York, N. Y.

OFFICE OF THE PRESIDENT

December 12, 1916.

ANSWERED
DEC 20 1916
J. J. Raskob.

Mr. John J. Raskob,
Wilmington, Del.

My dear Mr. Raskob:—

In reply to yours of December 1st, inquiring as to the number of shares of General Motors owned by the Chevrolet Company, I beg to present the following:

On January 13th as Syndicate Manager I submitted a proposition to the Board of Directors, offering to purchase on or before December 31, 1916, as a maximum, 500,000 shares of the capital stock of the Chevrolet Company at par, or any part thereof, and to pay for same by delivering General Motors common stock on the basis of one share of General Motors common for five shares of Chevrolet stock, the exchange to be made as of January 14, 1916, so as to entitle the Chevrolet Company to receive the dividends on General Motors common payable to stockholders of record on January 15, 1916. The amount of Chevrolet stock to be purchased by me, as aforesaid, limited, on the above basis

of exchange, to the amount of General Motors common stock that I might be able to deliver.

At a meeting of the Directors of the Chevrolet Company, on January 13, 1916, the following resolution was adopted:

> RESOLVED that this Corporation accept the offer of Mr. Durant to purchase from this Corporation the whole or any part of 500,000 shares of capital stock of the Company on the basis of five shares of Chevrolet stock for one share of General Motors common, the exchange to be made as of January 14, 1916, and the Board of Directors do hereby declare that the said stock is of the value of at least $50,000,000 and that same is necessary for the business of the Corporation.

At the time the proposition was submitted and accepted, the capital of the Chevrolet Company had been increased from $20,000,000 to $80,000,000 ($60,000,000 available for the acquisition of properties or investments). While my proposition contemplated the purchase of 500,000 shares, requiring $50,000,000 of the increased capital and involving the acquisition of 100,000 shares of General Motors common, the impression prevailed at the time, and I proceeded upon the assumption, that the Company would later accept my offer to purchase, on a basis at least as favorable to it, the additional 100,000 shares, requiring an additional issue of $10,000,000 maximum and involving the acquisition of an additional 20,000 shares General Motors common.

In other words, if the full amount of the increased capital had been used for the purpose, the Chevrolet Com-

pany would hold 120,000 shares of General Motors common, giving to the Chevrolet Company practically a three-quarters interest in the earnings applicable to the common stock of the General Motors Company.

—2—

Since my original proposition was made, no further action was taken regarding the purchase or exchanges until the meeting of our Directors held on November 29, 1916, when it was decided that the proposition as originally made would not be changed or modified in any respect.

I have delivered and have in my possession for delivery as of this date 71,218 shares of General Motors common and expect to deliver the balance of the 100,000 shares within the date mentioned.

Assuming that the 100,000 shares will be delivered, the Chevrolet Company will have practically five-eighths interest in the earnings applicable to the common stock of the General Motors Company, instead of three-quarters, as I had hoped or as was originally intended.

For your further information, would say that calculated conservatively, the earnings of the General Motors Company for the year ending July 31, 1917 will be $25,200,000. Deducting the dividend upon the $20,000,000 preferred issue, amounting to $1,200,000, will give us a net of $24,000,000, five-eighths of which, or $15,000,000, will belong to the Chevrolet Motor Company. In addition to the above the Chevrolet Motor Company will have its own earnings of approximately $6,000,000, or a total of $21,000,000 applicable to $70,000,000 of stock issued, or 30%.

As this is subject to change, I would prefer to have it treated as confidential.

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I sincerely trust you will be able to attend the directors meeting, held at Detroit on the 14th, and that you can arrange to go through with us, leaving here tomorrow afternoon.

Sincerely yours,

(Signed) W. C. Durant

WCD*W

4

915

Government's Exhibit No. 119

May 9th, 1916.

Lammot Belin, Esquire,
No. 2 Rector Street,
New York City.

Dear Lammot,

Last January Mr. Durant made an offer to us to exchange our General Motors Company stock for Chevrolet Motor Company stock on the basis of one to five, i.e. we to receive five shares of Chevrolet Motor Company for one share of General Motors Company stock. At the time we felt we could not accept the offer for the reason that we were not sure he had control of the General Motors Company and being in the position of neutral Directors we might be charged with taking sides should we do anything which would tend to give one side or the other control of the Company. Since that time, however, Mr. Durant has secured control of the Company so that this objection is removed. He appreciated the position we were in at the time and has left this offer open for acceptance. The offer includes the hundred shares of stock held by you and the fifty shares of stock held by your father. Pierre and I are sending our stock in for exchange and I told Mr. Durant I would speak to you about it, so that should you care to make the exchange if you will send your stock to him, he will issue you the Chevrolet Motor Company stock immediately. The exchange offer was made as of January 14th so that it is necessary for us to give up the dividend of $10.00 we received in February and the dividend of $5.00 we received this month, making $15.00 per share, i.e. in sending your

stock in to Mr. Durant you would accompany it with a check for $1 500.00.

—2—

It occurs to me that you should retain enough General Motors Company stock in your own name to prevent being disqualified as a Director. I think this requires but three shares. I have not written your father about this matter, thinking you would perhaps prefer taking it up with him yourself as he undoubtedly made this investment through you.

Helena joins me in sending love to you and your good wife and we hope to have the pleasure of seeing you soon in New York.

Sincerely yours,

79

2

Government's Exhibit No. 120

April 10th, 1916.

W. C. Durant, President
Chevrolet Motor Company,
600 West 57th Street,
New York City.

Dear Mr. Durant,

I thank you very much for your letter of the 7th, which I have read with a great deal of interest and about which I will talk with you the next time I am in New York.

You will, of course, recall the fact that my position on the Board of Directors of the General Motors Company is that of what might be termed a neutral director—at least I feel that is largely the way my position there is considered—and in my endeavors to be absolutely neutral I feel that I am sometimes possibly being misunderstood by both sides. It is needless, of course, for me to tell you the admiration I have for you and your wonderful accomplishments, because this is so well known to our mutual friend, Mr. Kaufman that he must have imparted it to you. When I felt not at liberty to accept the exchange offering made last January it was only after most careful deliberation of the matter, in which deliberation it seemed to me that the taking of a step which might result in my being charged with working with your side in the way of securing control to the Chevrolet Company was not what one would expect of a person occupying a neutral position. I understand Mr. duPont has about 2200 shares of General Motors Company stock and my holdings are a little less than 1200 shares. I do not see how, at this late date, we can expect you to renew

3201

your previous offer or to expect you to take the position that the opportunity extended us had never been withdrawn. I shall, however, be glad to talk at length with you in regard to all of this the next time I am in New York.

Sincerely yours,

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Government's Exhibit No. 121

CHEVROLET MOTOR COMPANY
600 West 57th Street
New York.

No.
RECEIVED
Apr 13 1916
J. J. RASKOB.

April 12, 1916.

Mr. J. J. Raskob,
Wilmington, Del.

Dear Mr. Raskob:—

Accept my thanks for your kind letter of the 10th, just received.

I am in position, as Syndicate Manager, to continue until December 1st next the offer previously made, and you can consider this a firm commitment to exchange a total of 3400 shares of General Motors common for Chevrolet, on the basis of five for one.

I shall be pleased to discuss this and other matters of importance the next time you are in New York.

Very truly yours,

(Signed) W. C. Durant
Syndicate Manager.

WCD*W

Government's Exhibit No. 122

May 9, 1916

W. C. Durant, Esquire,
New York City.

My dear Mr. Durant:

Mr. Raskob has told me of his recent conversation with you and of your kindness in offering to us the exchange of General Motors-Chevrolet stock as proposed some months back. Developments of recent months have considerably altered my opinion relative to the propriety of making this exchange; principally because of the fact that the control of General Motors is now definitely fixed beyond anybody's question. On this account I am very glad to take advantage of your offer of exchange; my only hesitation being through the fact that my failure to come in on the first offer would seem to disbar me from the advantages of the exchange now that developments have been so favorable. However, you have been so generous and so insistent on the propriety of my participation that I shall take you up at your word and am sending herewith certificates representing 2,235 shares, being my entire holdings of General Motors stock for which please send me at your convenience 11,175 Chevrolet shares, to which the exchange entitles me. You will note that the transfer of these shares would disqualify me as a General Motors director, —2— but I am sending forward for transfer a number of other shares which I own but which have stood in the names of others. These will qualify me as a Director, but I do not think I should impose upon you further in the exchange; in fact I am not quite sure that you

intended that my stock should be more than the two thousand shares which I think was the amount held by me when I became a General Motors director. If you had intended the limit to be this two thousand shares do not hesitate to say so and return the certificates accordingly. I am also forwarding to you check for $33,525 covering dividend of $15 per share on the 2,235 shares forwarded for exchange. Should not I make some interest adjustment to you account of these dividends? Not knowing the number of shares you will accept for exchange, I have not attached the necessary stamps. May I trouble you or the Central Trust Company to attend to this and send me a memorandum of the costs?

As to the General Motors Board:

I hope that you will feel that the transfer of the principal part of my holdings leaves it open for you to replace me as a director or as Chairman of the Board if you wish to do so; not that I really desire to give up my directorship, but that I wish to meet your views in every particular. Should your plans make it advisable to make the change I will not feel aggrieved in any way.

—3—

In closing let me thank you again for your generosity in maintaining the exchange offer of which I am now taking advantage.

Very truly yours,

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Note. "P. S. du Pont" is stamped across each page. Handwritten "644" appears in top right-hand corner of first page and "Recd" appears in left-hand margin of first page opposite "11,175 Chevrolet."

Government's Exhibit No. 123

Letterhead of

GENERAL MOTORS CORPORATION
DETROIT, MICHIGAN

September 5, 1917

Mr. Pierre S. du Pont
du Pont Building
Wilmington, Delaware

Dear Mr. du Pont:

I hand you herewith enclosed list of the Directors and Officers of General Motors Corporation elected at the Annual Meetings held August 22d and 23d.

Very truly yours

/s/ T S MERRILL
Secretary

TSM:D

NOTE. At top right is stamped "No. — Received Sep 7 1917 P. S. Du Pont." Initials "RWE" are written at bottom.

DIRECTORS AND OFFICERS
of
GENERAL MOTORS CORPORATION

Directors

A. G. Bishop
W. P. Chrysler
R. H. Collins
W. L. Day
Pierre S. du Pont
W. C. Durant
J. A. Haskell
L. G. Kaufman
J. H. McClement
C. S. Mott
J. J. Raskob
E. VerLinden
F. W. Warner

Finance Committee

L. G. Kaufman (Chairman)
J. J. Raskob
Pierre S. du Pont
W. C. Durant
J. H. McClement

Officers

Chairman of the Board	Pierre S. du Pont			
President	W. C. Durant			
Vice President	A. G. Bishop			
" "	C. S. Mott			
" "	W. P. Chrysler			
" "	R. H. Collins			
" "	W. L. Day			
" "	E. VerLinden			
" "	F. W. Warner			
Secretary	T. S. Merrill			
Assistant Secretary	R. E. Mason			
Treasurer	H. H. Rice			
Assistant Treasurer	T. S. Merrill			
" "	J. M. Ryan	for	Buick Motor Company	Division
" "	D. T. Smith	"	Cadillac Motor Car Co	"
" "	C. B. Eldredge		" " " "	"
" "	P. D. Larson	"	General Motors Truck	"
" "	G. H. Hannum	"	Jackson-Church-Wilcox	"
" "	Michael McMillan		Northway Motor & Mfg	"
" "	F. R. Boyd	"	Oakland Motor Car Co	"
" "	L. A. Ruggles		Olds Motor Works	"
" "	R. T. Longway		Weston-Mott Company	"
Comptroller	M. L. Prensky			

Assistant Comptroller	John D. Curry		
" "	L. F. Ohland for	Buick Motor Company	Division
" "	L. F. Ohland "	Weston-Mott Company	"
" "	A. C. Anderson	Weston-Mott Company	"
" "	H. M. Kinnee "	Cadillac Motor Car Co	"
" "	H. L. Hurst "	General Motors Truck Co	"
" "	W. F. Maybury "	General Motors Truck Co	"
" "	G. R. Spindler	Jackson-Church-Wilcox	"
" "	Thomas Mair "	Northway Motor & Mfg Co	"
" "	E. H. Tinsman "	Oakland Motor Car Co	"
" "	C. E. Stowe "	Olds Motor Works	"
General Counsel.	Stevenson, Carpenter, Butzel & Backus		
General Manager	W. P. Chrysler for	Buick Motor Company	Division
" "	W. P. Chrysler for	Weston-Mott Company	"
" "	R. H. Collins "	Cadillac Motor Car Co	"
" "	F. W. Warner "	Oakland Motor Car Co	"
" "	W. L. Day "	General Motors Truck Co	"
" "	E. VerLinden "	Olds Motor Works	"
" "	G. H. Hannum "	Jackson-Church-Wilcox	"
" "	A. L. Cash "	Northway Motor & Mfg	"

Defendan

Government's Exhibit No. 124

December 19th, 1917.

To FINANCE COMMITTEE

FROM TREASURER

GENERAL MOTORS-CHEVROLET MOTOR STOCK INVESTMENT

I recommend that our Company purchase Chevrolet Motor Company and General Motors Company common stocks in accordance with plan herein outlined and with a view to bringing this formally before our company I have asked for a special meeting of the Finance Committee to be followed as soon as possible by a special meeting of the Board of Directors to consider the following resolution:

RESOLVED that the President and Treasurer of this Company be and they are hereby authorized to purchase up to $25,000,000.00 worth of the common stocks of the Chevrolet and General Motor Companies paying for the Chevrolet Motor Company common stock an average price not to exceed $115.00 per share and for the General Motors Company common stock an average price not to exceed $95.00 per share; and

recommendations contained

BE IT FURTHER RESOLVED that they be and are hereby authorized to do all acts and things necessary to finance and carry out this purchase in accordance with ~~plan outlined~~ in Treasurer's report to Finance Committee, dated December 19th, 1917, *modified as follows:*

Method of Financing

While it doubtless will be necessary for the Du Pont Company to do a good deal in the way of temporary financing, my recommendation is that we incorporate *a new* ~~the Du Pont Motors~~ Company ~~under the laws of the State of Delaware~~ with an authorized capital of $75 000 000.00, $50 000 000.00 of which shall be Class A stock and $25 000 000.00 Class B stock;

—2—

Class A stock to be a 12% cumulative non-voting ~~common~~ stock, callable at any time in the discretion of the Board of Directors at $150.00 per share plus accrued and unpaid dividends;

Class B stock to be ~~common~~ stock with sole voting power and entitled to all earnings of the Company after the payment of the 12% dividend on Class A. stock;

The Du Pont Company to subscribe immediately to $7 000 000.00 Class B stock at par payable in cash, in consideration of which the *new* ~~Du Pont Motors~~ Company will allow us to make the following offer to the common stockholders of the Du Pont Company, to-wit:

The common stockholders of the Du Pont Company will be entitled to subscribe to an amount of *the new* ~~Du Pont Motors~~ Company Class A stock at par equal to 30% of their present holdings of E. I. du Pont de Nemours & Company common stock, payable either in cash or Liberty Bonds at par *and accrued interest.* Payments may be made in full at the time of subscription or may be made in four installments of 7½% each, payable on the 20th days of March, June, September and De-

1918

cember respectively. Stock will not be issued until fully paid but interest at the rate of 6% per annum will be paid on installments.

The sale of this stock will supply $18 000 000.00, which added to the $7 000 000 received from the sale of Class B stock will make the total of $25 000 000.00 necessary to pay for the stock authorized to be purchased. In the interval between the time we must make payment for the General Motors and Chevrolet Motor stocks purchased and the time we will receive payment for the Class A stock sold to stockholders, the Du Pont Motors Company will arrange to borrow the balance of money needed. It is estimated that at least $8 000 000.00. of such borrowings can be made through giving notes in part payment for General Motors and Chevrolet Motor stocks purchased, leaving the balance to be arranged for through banks or otherwise as in the judgment of the Finance Committee may seem best.

—3—

While the writer feels that a great many of our stockholders would pay in full immediately for the Class A stock to which they will be entitled to subscribe under this plan, using the Liberty Bonds which they will receive as a 32% special dividend on the 22nd instant, it may be advisable to consider the matter of paying any extra dividend to be paid in 1918 quarterly instead of at the end of the year thus making it possible for the stockholders to use this dividend to meet their Class A stock payments as they become due. Should, for instance, we adopt the policy of declaring an extra dividend of 32% in 1918, payable 8% quarterly, our estimated cash position at the end of each quarter as shown

by a revision of the cash forecast accompanying my report to the Finance Committee under date of November 19th would show as follows:

March 31st, 1918	$15 871 000.00
June 30th, 1918	— 425 000.00
September 30, 1918	15 572 000.00
December 31st, 1918	33 758 000.00

This cash position will be improved through cash advances to be received from the United States Government under our contracts with them, which advances we conservatively estimate will amount to $25 000 000.00. The suggestion contained in this paragraph is not at all pertinent to the plan but is merely injected as a matter which may well receive careful consideration by the members of the Finance Committee between now and the time the offering of Class A stock is made to our stockholders should the recommendations contained herein be approved.

Necessity for Finding Investments

In the latter part of 1915 the Directors of the Du Pont Company deemed it wise to increase the capital and surplus employed from approximately $60 000 000.00 to a capital of $120 000 000.00. In the opinion of the writer our Company, with $60 000 000.00 of debenture stock and $60 000 000.00 of common stock, aggregating a

total of $120 000 000.00 stock outstanding, should carry a surplus of at least $30 000 000.00. If this is true, our Company is definitely committed to the policy of employing a total of $150 000 000.00 capital. Of this amount $60 000 000.00

was employed in 1915, leaving a balance of $90 000 000.00 as representing the minimum amount which we are committed to find investment for. To this $90 000 000.00 should be added the value of plant and working capital assets employed in the military powder business prior to the war, for the reason that present indications are that this investment will be unprofitable and valueless after the war due to the Government owning more than ample capacity to supply its needs in time of peace. The total amount we have succeeded in investing in new industries to date, counting $12 500 000.00 for the dye business ($7 500 000.00 for plant investment and $5 000 000.00 for working capital investment) is $40 000 000.00, leaving a balance of $50 000 000.00 still seeking employment and it is imperative that this amount be employed, otherwise the earnings of our Company after the war will be insufficient to support the dividend policy and the matter of properly employing this money in a way that will result in proper return to our Company is one of most serious consequence.

The recommendation to make an investment in the motor industry may come as quite a shock to many of our directors at first, due to lack of full understanding of the opportunity offered and its relation to other opportunities that may present themselves from time to time.

History and Nature of This Investment

The General Motors Company was organized in 1908 by Mr. W. C. Durant. It was then a holding company and acquired control, through stock ownership, of the Buick, Cadillac, Oldsmobile, Oakland Motor Companies, Northway Motors Company, Weston Mott Company and

fifteen other companies, since which time the General Motors Company has become an operating company and most all the subsidiaries have been dissolved. In 1910 Mr. Durant found himself with properties, which, while they were earning $10 000 000.00, were woefully short of working capital and it became necessary to borrow $15 000 000.00. This was a difficult task due to the motor industry being an infant industry and more or less discredited. The result was that in order to get the money necessary he had to create a five-year voting trust under the laws of New York, under which the bankers agreed to loan $15 000 000.00 for five years with the understanding that they would have control of the Board of Directors. During the first ten months' operation by the Bankers the net earnings applicable to the common stock of General Motors Company dropped to $2 474 000.00 and for the following four years the record shows net earnings applicable to common stock as follows:

1912	$ 2 856 000.00
1913	6 410 000.00
1914	6 201 000.00
1915	13 409 000.00

The voting trust agreement expired in 1915 and the bankers and Mr. Durant were in dispute as to who was then in control of the stock. The dispute resulted in a compromise under which Mr. Durant elected seven directors, the bankers elected seven directors and Messrs. J. A. Haskell, Lammot Belin and John J. Raskob were agreed upon as three neutral directors satisfactory to both sides. Time soon demonstrated that Mr. Durant was actually in control of affairs through stock ownership; he was elected President of the

Company and the earnings applicable for the common stock for the following year (1916) jumped to $27 740 000.00 and for 1917, after making deductions for war taxes, $27 704 000.00. The automobile year starts August 1st and the earnings for 1918

were estimated at $45 000 000.00 before deducting war taxes. The actual earnings for the first four months (which is the worst period in the automobile industry) before deducting war taxes were over $17 000 000.00, the earnings for the month of November alone being upwards of $5 000 000.00 which is the largest month in the history of the Company. The following statement comparing conditions for the first three months this year with the same period last year is of interest.

	Three months ended 10/31/1917	Three months ended 10/31/1916
Cars and Trucks sold	54 432	37 884
Net Sales	$53 668 000.	$34 520 378.
Net Earnings	9 700 000.*	6 695 733.

The cash in banks and in sight drafts with documents attached, at the close of business December 7, 1917, amounted to $24 103 700.00.

*Note. This amount is after deducting $2 500 000.00 for war taxes.

Chevrolet Motor Company

While Mr. Durant was a member of the Board of Directors and Vice President of the General Motors Company during the bankers' regime, he was not at all active and incorporated the Chevrolet Motor Company for the pur-

pose of manufacturing the Chevrolet car which has become very popular and fills a need not covered by the cars of the General Motors Company. The Chevrolet Motor Company had a capital of approximately $20 000 000.00 and in 1916 increased its capital to upwards of $64 000 000.00 and acquired control of the General Motors Company, in which Company it now owns 450 000 shares of common stock out of 825 000 shares outstanding.

Balance sheets of both the General Motors Compan and Chevrolet Motor Company are appended to this report.

General

The growth of the motor business, particularly the

General Motors Company, has been phenomenal as indicated by its net earnings and by the fact that the gross receipts of the General Motors-Chevrolet Motor Companes (sic) for the coming year will amount to between $350 000 000.00 and $400,000,000.00. The General Motors Company today occupies a unique position in the automobile industry and in the opinion of the writer with proper management will show results in the future second to none in any American industry. Mr. Durant perhaps realizes this more fully than anyone else and is very desirous of having an organization as perfect as possible to handle this wonderful business. Mr. Barksdale is a director of the Chevrolet Motor Company and Mr. P. S. du Pont a director and Chairman of the Board of Directors of the General Motors Company. Mr. Durant's association with Mr. P. S. du Pont, Mr. H. M. Barksdale, Mr. J. A. Haskell, Mr. Lammot Belin and the writer has been such as to result in the expression of the

desire on his part to have us more substantially interested with him, thus enabling us to assist him, particularly in an executive and financial way, in the direction of this huge business. The evolution of the discussion of this problem is that an attractive investment is afforded in what I consider the most promising industry in the United States, a country which in my opinion holds greater possibilities for development in the immediate future than any country in the world; that rather than have a coterie of our directors taking advantage of this in a personal way, thus diverting their time and attention (to some degree at least) from our affairs, it would be far preferable for the Company to accept the opportunity afforded, thus giving our directors the interest so desired through their stock ownership in the Du Pont Company.

GENERAL MOTORS-CHEVROLET MOTOR CONSOLIDATION

The Chevrolet car meets a demand which the General Motors Company cannot supply and in addition the Chevrolet-Durant interests dominate the United Motors Company though they do not control through stock ownership. This is a very valuable good will asset to the Chevrolet and General Motors Companies. It is, therefore, proposed

(although the plan has not been put before the Directors and stockholders of the respective companies) that the General Motors Company purchase the entire assets of the Chevrolet Motor Company except the 450 000 shares of General Motors Company common stock in the Chevrolet Motor Company treasury and assume the entire liabilities of the Chevrolet Motor Company paying therefor approximately 318 000 shares ($31 800 000.00) common stock General

Motors Company. This 318 000 shares together with the 450 000 shares in the Chevrolet treasury aggregating 768 000 shares of General Motors Company common stock will be the sole asset of the Chevrolet Motor Company, which will then be dissolved and in dissolution each share of Chevrolet will receive 1.2 shares of General Motors common stock. While, as previously stated, this plan has not been placed before the Board of Directors and stockholders, Mr. Durant is confident that there will be no trouble in its consummation.

Stock Available for Acquisition

The writer took up with the Finance Committee in an informal way the matter of investment in these stocks and as the proposal as roughly presented at that time seemed to be of sufficient interest to warrant further development we arranged with Mr. Durant to secure as many options as possible on stock, with the result that if we succeed in purchasing in the open market 40 000 shares of Chevrolet at an average price of $108.00 per share and 13 340 shares of General Motors at an average price of $90.00 per share we will have a total equivalent to 223 400 shares in the enlarged General Motors Company at a cost (after deducting 2% dividend accrued January 1st. 1918) of $90.50 per share.

The total outstanding voting stock of the enlarged General Motors Company would be approximately 1 080 000 shares, 50% or control of which would require ownership of 540 000 shares. With the above purchases, control could be summarized as follows:

Durant	280 000 shares
Du Pont	223 000 "
Total	503 000 "
Additional stock to be bought by Du Pont to make our investment $25 000 000.00, say	50 000 "
	553 000 "
Stock held by Wilmington people and Du Pont friends approximately	100,000 "
Total	653 000 shares

Return on Investment

If the earnings of General Motors Company for 1918 continue at the present rate they will aggregate	$53 000 000.00
Estimated earnings for the Chevrolet Company will aggregate, say	12 000 000.00
making total net earnings for the enlarged General Motors Company before deducting war taxes	$65 000 000.00
Assuming that the war taxes will aggregate	20 000 000.00
the net earnings of the consolidated company after paying war taxes would be	$45 000 000.00
Deduct preferred stock dividend	1 200 000.00
Balance	$43 800 000.00

which equals 40% on $108 000 000.00 General Motors Company common stock then outstanding.

If the Du Pont Company succeed in investing $25 000-000.00 in the enlarged General Motors Company common stock at $95.00 per share, we will acquire a total of 263 200 shares, paying 12% in dividends and on which there will be earnings of 40% as hereinbefore indicated and the income account of the Du Pont Motors Company could be stated as follows:

	Dividends	Share of General Motors Earnings
263 200 shares General Motors stock at 12% – 40%	$3 158 400.	$10 528 000.
Less 12% dividends on $18 000 000.00 Class A Stock	2 160 000.	2 160 000.

Balance equals 14¼% on $7 000-000.00 Class B Stock held in Treasury of Du Pont Company	$ 998,400.00	
Balance equals 119½% on $7 000-000.00 Class B. Stock held in Treasury of Du-Pont Company		$8 368 000.00,

The dividends of $3 158 400.00 are equal to a return of 12.6% on a total investment of $25 000 000.00 and the share of General Motors earnings of $10 528 000.00 is equal to 42% on the $25 000 000.00 investment.

Value of Assets Purchased Compared with Purchase Price

A determination of the actual value of the assets back of the common stock we are purchasing is interesting and may be stated as follows:

	Current Assets	Fixed Assets
Real Estate and Equipment		$36 941 331.67
Investment Securities		8 579 223.15
Current and Working Capital	$93 253 584.79	
Deferred Charges	1 051 106.76	
Totals	$94 304 691.55	$45 520 554.82
Deduct:		
Current Liabilities	19 164 583.96	
Preferred and Subsidiary Stocks		21 031 010.50
Balance	$75 140 107.59	$24 489 544.32
which is equal to (?) % on $108-000 000. common stock valued at $95.00 per share	73%	24%

If we add the net earnings to December 31, 1918 after paying 12% dividend	35 000 000.00	
we have a total of	$110 140 107.59	$24 489 544.32
which is equal to (?) on $108-000 000 common stock value at $95.00 per share	108%	24%

In other words, valuing the good will of the Company at nothing and assuming the preferred stock is a charge against the fixed investment, we are in

purchasing stock at $95.00 per share securing an investment in which 73% of the purchase price is represented by current assets and 24% in fixed investment, making a total of 97%. If we add to the current assets a conservative estimate of the earnings that will be injected into the business during the twelve months ending December 31, 1918, the current assets will equal 108% of the cost of our investment, the fixed assets 24%, or a total of 132%. The good will of the Company valued at $30 482 771 17 as shown on the balance sheet adds 30% to the value of our investment as represented by the purchase price. In the opinion of the writer the good will of this industry is conservatively estimated at $30 000 000.00 and the value of the fixed investment is worth very much more than figures ($36 941 331.67) shown on the balance sheet.

SUMMARY

Summarizing the above we have an opportunity to make a substantial investment in the motor industry with the following points in favor thereof:

1. With Mr. Durant we will have joint control of the companies.

2. We are immediately to assume charge and be responsible for the financial operation of the Company. This involves the direction of cash balances which will aggregate upwards of $25 000 000.00 and the handling of annual gross receipts aggregating $350 000 000.00 to $400 000 000.00. From a financial standpoint, I feel that a consolidation of the financial divisions of the Du Pont and General Motors Companies will be of tremendous advantage to us as well as to the General Motors Company and is a thing to be sought and desired from our standpoint.

3. The Du Pont Company, if the Class A stock is sold to the stockholders, will share in the profits of the industry to an extent equal to 120% on our investment and will receive 14% in annual dividends thereon; or in the event of carrying Class A stock in our Treasury the dividend rate will be about 12.6% and will share in the earnings about 42% and this after paying $20 000 000.00 war taxes.

4. Our purchase is on better than an asset basis.

5. Our interest in the General Motors Company will undoubtedly secure for us the entire Fabrikoid, Pyralin, paint and varnish business of those companies, which is a substantial factor.

—12—

MANAGEMENT

Perhaps it is not made clear that the directorates of the motor companies will be chosen by Du Pont and Durant.

Mr. Durant should be continued as President of the Company, Mr. P. S. du Pont will be continued as Chairman of the Board, the Finance Committee will be ours and we will have such representation on the Executive Committee as we desire, and it is the writer's belief that ultimately the Du Pont Company will absolutely control and dominate the whole General Motors situation with the entire approval of Mr. Durant, who, I think, will eventually place his holdings with us taking his payment therefor in some securities mutually satisfactory.

During the past two years our Company has been doing big things. After the war it seems to me it will be absolutely impossible for us to drop back to being a little company again and to prevent that we must look for opportunities, know them when we see them and act with courage. If our fundamentals are sound, as they certainly seem to be in this case, the control of the General Motors Company will be a task worthy of the best there is in us and will I feel afford many opportunities to keep our important men occupied with big things after the war.

Stop

NOTE. "Finance Committee, Secy's No. 9849" stamped at top of first page of document. "Return to Executive Committee Room 9069" stamped twice at bottom of first page and once each at bottom of the second, third, and fourth pages. Italics indicate pencil notations.

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Du Pont Control

[322]

M. Sexton?	600
John Aspinwall	500
W. M. Barksdale	2250
F. L. Belin	650
H. Belin, Jr.	250
C. F. Bicta	50
Geo. P. Bissell	300
R. P. Brewer	35
E. C. Britton	40
L. H. Broadwater	200
Leon O. Bryan	45
Daniel Buckley	50
E. G. Buckner	290
Susy W. Buckner	15
M. duP. Carpenter	150
R. R. M. Carpenter	200
C. Copeland	550
Henry Davis	75
Ralph Derr	109
John T. Devine	155
Wm.W. Dole	1800
B. J. Doherty	50
A. Rae du Bell	45
L. L. Dunham	6218
Marion Dunham	22
R. H. Dunham	200
A. Felix du Pont	75
Ethel W. du Pont	500
Eugene du Pont	100
E. E. du Pont	600
H. A. du Pont	1610
H. F. du Pont	650
Irenee du Pont	1200 ← 130
Lammot du Pont	1500
P. S. du Pont	20000
T. C. du Pont	15375
J. B. D. Edge	100
R. W. Ellis	22
Van Horn Ely	200
M. Farquhar	100
E. C. Ferriday	200
Frank L. Garey	38
Fred Gerner	151
J. C. Gibson	200
Glenden Land Co.	700
Harry T. Graham	365
Willie T. Harrington	70
Margaret Jane Harrington	48
Helen Martha Harrington	15
LeRoy Harvey	50
H. Haskell	200
J. A. Haskell	350
Everett M. Hawley	100
Gertrude Swift Hawley	150
Harvey Hayward	250

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3224

William S. Hilles	50
C. B. Holladay	1400
P. W. Hull	50
R. C. Hull	200
James W. Kane	75
Frederick Kniffen	430
C. C. Kurtz	500
Fred. W. Kurtz	36
Howard C. Kurtz	9
F. D. Lackey	3181
J. P. Laffey	100
Philp D. Laird	160
Walter J. Laird	50
W. W. Laird	300
R. A. Mc Adam	10
Lucy McDevitt	25
Frank A. McHugh	175
L. L. Maloney	110
S. Frances Martin	5
David T. Marsel	90
Charles H. Mason	25
Holladay S. Meeds	60
Catherine D. Miller	10
J. A. Montgomery	355
Bessie D. Moore	10
M. D. Murphy	125
J. B. Niles	600
C. L. Petze	300
Frank W. Pierson	95
A. F. Porter	10
J. F. Porter	10
Anna E. Quigley	5
Elizabeth P. Quigley	5
Helena S. Raskob	1100
John J. Raskob	6965
Wm. F. Raskob	250
C. A. Rudolph	75
George W. Sparks	100
L. W. Stout	235
G. B. Street	200
C. H. Ten Weeges	200
Rodney Thayer	100
Victor Thomas	10
L. Scott Townsend	235
S. D. Townsend	100
Wilmington Trust Co., Trustee	700
J. R. Winner	30
F. G. Tallman	78334
	1000
	79334

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CHEVROLET MOTOR COMPANY

COMBINED AND CONDENSED BALANCE SHEET

As at September 30, 1917.

A S S E T S

	Schedule			
FIXED	A-1			
Real Estate Plant and Equipment			6,628,771.18	
Less Reserve for Depreciation			601,676.79	6,027,094.39
INVESTMENT SECURITIES	A-2			
Stock-Affiliated Companies			461,000.00	
Stock-Other Companies			50,427,900.00	
Liberty Bonds			2,000.00	50,890,900.00
CURRENT AND WORKING				
Cash	A-3		2,869,769.13	
Drafts outstanding against B/L	A-4		1,689,735.28	
Notes and Accounts Receivable	A-4	1,427,598.24		
Less Reserve for Bad & Doubtful Accounts		46,377.64	1,381,220.60	
Accounts with Affiliated Companies	A-4		2,099,001.61	
Inventories	A-5	10,530,795.47		
Less Reserve for Depreciation		279,742.83	10,251,052.64	18,090,779.26
DEFERRED CHARGES	A-6			370,654.51
GOODWILL				11,953,099.26
				$87,332,527.42

L I A B I L I T I E S

	Schedule			
CURRENT LIABILITIES				
Notes and Accounts Payable	A-7		1,605,827.39	
Dealers and Customers Deposits	A-7		459,775.95	
Accrued Items	A-8		531,583.22	
Accounts with Affiliated Co's	A-7		96,788.02	2,583,974.58
CAPITAL STOCK (Authorized $80,000,000.00)			64,350,000.00	
Less In Treasury			245,200.00	64,104,800.00
SURPLUS	A-9			
Balance-December 31, 1916		31,123,274.48		
Less Adjustments		15,401,968.07	15,721,306.41	
Current Additions	B-1		8,398,802.51	
			24,120,108.92	
Less Dividends Paid			3,840,288.00	20,279,820.92
RESERVES	A-10			363,931.92
				$87,332,527.42

NOTE. "Return to Executive Committee Room 9069" stamped at bottom of page.

BALANCE SHEET

GENERAL MOTORS COMPANY AFTER CHEVROLET CONSOLIDATION.

(E S T I M A T E D)

A S S E T S

Real Estate Plant and Equipment Less Depreciation Reserve	$45,208,779.68 8,267,448.01	$36,941,331.67
Investment Securities		8,579,233.15
Current and Working Capital (After reserving $2,742,101.16 for Material & Supply depreciation)		93,253,584.79
Deferred Charges		1,051,106.76
Good-Will		30,482,771.17
TOTAL		$170,308,017.54

L I A B I L I T I E S

Current Liabilities	$ 19,164,583.96
Portion of Subsidiary Stocks not owned by General Motors Company	1,366,310.50
Preferred Stock outstanding	19,664,700.00
Common Stock outstanding (estimated)	108,000,000.00
Surplus	16,515,904.25
Reserves	5,506,518.83
Total	$170,308,017.54

CONDENSED CONSOLIDATED BALANCE SHEET OF GENERAL MOTORS CORPORATION AND SUBSIDIARY COMPANIES DIRECTLY CONNECTED WITH THE MANUFACTURE OF MOTOR CARS AND PARTS AS OF SEPTEMBER 30th, 1917.

ASSETS

FIXED ASSETS: Real Estate, Plants & Equip.	$38,580,008.50	
Less: Reserve for Depreciation	7,665,771.23	$30,914,237.28
PATENTS, AGREEMENTS, ETC:		298,100.00
MISCELLANEOUS INVESTMENTS:		2,688,333.15
CURRENT AND WORKING ASSETS:		
Cash in banks and on hand	$16,405,864.04	
Marketable securities and stocks of municipalities and corporations	286,000.00	
Notes ($443,237.91 in 1917) and accounts receivable	12,359,437.12	
Inventories at cost or less	46,111,504.37	75,162,805.53
DEFERRED EXPENSES		680,452.25
GOOD-WILL		18,231,571.91
TOTAL		$127,975,490.12

LIABILITIES

CAPITAL STOCK:		
Pfd. Stock (Auth. $20,000,000.) issued		$ 19,664,700.00
Com. Stock (Auth. $82,600,000.) issued	$82,558,800.00	
Less: In treasury of General Motors Corp.	4,685,500.00	77,873,300.00
Total in hands of public		$ 97,538,000.00
OUTSTANDING CAPITAL STOCK (par value) and surplus of subsidiary companies, being the portion not owned by General Motors Corporation		
Capital Stock	$ 540,500.00	
Surplus	825,810.50	1,366,310.50
CURRENT LIABILITIES:		
Accounts Payable	$13,399,808.74	
Taxes, Pay Rolls, and Sundries accrued not due	3,080,800.64	16,480,609.38
RESERVES:		
For two months' proportion of Dividend on Pfd. Stock payable Nov. 1	196,647.00	
For War Income and Excess Profits Tax	4,556,872.20	
For Sundry Contingencies	479,067.71	5,232,586.91
SURPLUS:		7,357,983.33
TOTAL		$127,975,490.12

Government's Exhibit No. 125

...PT FROM

ANNUAL REPORT OF THE DU PONT COMPANY FOR THE YEAR 1918

* * *

. . .The interest of certain officers of the company in the motor field was engaged for many months prior to the making of an investment by the company. While there is no immediate relation between the explosive industry and the manufacture of motors, this investment was made in such a way as to give opportunity for our financial organization to be of service, and at the same time increase greatly our financial strength. The large engineering and construction forces of our company, the development, legal and accounting department facilities, coupled with the demands of the motor industry for talent of that kind, has furnished a connecting link which seems desirable in all investments. <u>The consumption of paints, varnishes and fabrikoid in the manufacture of automobiles gives another common interest.</u> In entering this field it was necessary to make investment in a thoroughly developed property. This has been found in the General Motors Corporation, already equipped in a most thorough manner which technical men of experience for the proper conduct of its business. The officers of E. I. du Pont de Nemours & Company are fortunate in having secured a 27.6% interest in this corporation, as it now stands equipped with factories for producing all kinds of cars, tractors and trucks, together with the greater part of the accessories needed in their manufacture. We feel fortunate also in our partnership with Mr. William C. Durant, President of the General Motors Corporation, and the father and leader of the motor industry, not only in the United States but in the world. This alliance leaves the management and general conduct of the General Motors Corporation as heretofore, except that the responsibility for financial management is now shared by the officers of our company. The general function of the Du Pont interests is advisory only, though already there has sprung up an intimacy between the organizations that promises great benefit through the exchange of facilities and use of important men for specific duties to which they are particularly well adapted. (Pp. 22-23) [Emphasis supplied]

Government's Exhibit No. 126

COPY OF MINUTES OF JOINT MEETING OF
EXECUTIVE COMMITTEE #178 &
FINANCE COMMITTEE #85,
E. I. DUPONT DENEMOURS & COMPANY,
HELD IN WILMINGTON, DELAWARE,
DECEMBER 20, 1917.

* * * * *

E. I. DUPONT DENEMOURS & COMPANY

JOINT MEETING OF
EXECUTIVE COMMITTEE
&
FINANCE COMMITTEE.

Executive Committee Meeting #178 (Special Meeting)
Finance Committee Meeting #85 (Special Meeting)
held at the office of the Company, Wilmington, Delaware, 10:30 a.m., Thursday, December 20, 1917.

PRESENT: Executive Committee:
Irenee duPont, Chairman,
R. R. M. Carpenter,
H. F. Brown,
F. G. Tallman,
J. J. Raskob,
Lammot duPont,
Wm. Coyne.

ABSENT: H. G. Haskell & F. L. Connable.

PRESENT: Finance Committee:
P. S. duPont, Chairman
Irenee duPont,
H. F. duPont,
H. M. Barksdale,
J. J. Raskob.

ALSO A. Felix duPont

3230

GENERAL MOTORS-CHEVROLET
MOTOR STOCK INVESTMENT:

Report from the Treasurer, dated December 19, 1917 (#9849) to the Finance Committee, on the above-mentioned subject, was read to the Committees by the Secretary. The matter was discussed until 1:00 p.m., at which time it was moved and unanimously carried that the meeting adjourn until 9:30 a.m., tomorrow, Friday, December 21, 1917.

Adjourned Joint Meeting of the Executive and Finance Committees was called to order by the Chairman of the Executive Committee, Mr. Irenee duPont, at 9:30 a.m., December 21, 1917:

PRESENT: All members of the Finance Committee and all members of the Executive Committee except Mr. F. L. Connable.

ALSO J. P. Laffey

The Treasurer's report to the Finance Committee, dated December 19, 1917, re General Motors-Chevrolet Motor Stock

Investment was again discussed until 11:15 a.m., at which time adjournment was taken until 2:30 p.m.

Adjourned Joint Meeting of the Executive and Finance Committees was called to order by the Chairman of the

Executive Committee, Mr. Irenee duPont, at 2:30 p.m., December 21, 1917:

PRESENT: All members of the Finance Committee and all members of the Executive Committee except Mr. F. L. Connable.

ALSO Vice President J. A. Haskell.

After further discussion of the Treasurer's report of December 19, 1917 re General Motors-Chevrolet Motors Stock Investment, the following resolution was offered and unanimously adopted:—

RESOLVED, that the President and Treasurer of this Company be and they are hereby authorized to purchase up to Twenty-five Million Dollars ($25,000,000.00) worth of the Common Stocks of the Chevrolet and General Motor Companies, paying for these stocks an average price not to exceed Ninety-five Dollars ($95.00) per share, and in the calculation considering Chevrolet stock equivalent to 1.2 shares of General Motors Company stock;

BE IT FURTHER RESOLVED, that they be and are hereby authorized to do all acts and things necessary to finance and carry out this purchase in accordance with recommendations contained in the Treasurer's report to the Finance Committee, dated December 19, 1917, modified as follows:—

"While it doubtless will be necessary for the duPont Company to do a good deal in the way of temporary financing, my recommendation is that we incorporate

a new company with an authorized capital of $75,000,-000.00, $50,000,000.00 of which shall be Class "A" stock and $25,000,000.00 Class "B" stock;

"Class "A" stock to be a 12% cumulative non-voting stock, callable at any time in the discretion of the Board of Directors at $150.00 per share plus accrued and unpaid dividends;

"Class "B" stock to be stock with sole voting power, and entitled to all earnings of the Company after the payment of the 12% dividend on Class "A" stock;

"The duPont Company to subscribe immediately to $7,000,000.00 Class "B" stock at par payable in cash, in consideration of which the new company will allow us to make the following offer to the Common stockholders of the duPont Company, to-wit:—

—3—

"The Common stockholders of the duPont Company will be entitled to subscribe to an amount of the new company Class "A" stock at par equal to thirty per cent (30%) of their present holdings of E. I. duPont de Nemours & Company Common stock, payable either in cash or Liberty Bonds at par and accrued interest. Payments may be made in full at the time of subscription, or may be made in four installments of 7½% each, payable on the 20th days of March, June, September and December, 1918, respectively. Stock will not be issued until fully paid, but interest at the rate of six per cent. (6%) per annum will be paid on installments."

Upon motion, the meeting was adjourned.

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2.

EXECUTIVE COMMITTEE:

Time:
4 hrs. 45 mins.

	/s/ Wm. Coyne	/s/ Irenee duPont
/s/ M. D. Fisher, Secretary	/s/ H. G. Haskell	/s/ J. J. Raskob
APPROVED AS TO LEGALITY:	/s/ H. F. Brown	/s/ R. R. M. Carpenter
	/s/ L. duPont	/s/ F. G. Tallman

/s/ J. P. Laffey

/s/ Frank L. Connable
(Not Present)

FINANCE COMMITTEE

/s/ P. S. duPont	/s/ Irenee duPont
/s/ J. J. Raskob	/s/ H. M. Barksdale

/s/ H. F. duPont

I hereby certify that the foregoing is a true copy of minutes of joint meeting of Executive and Finance Committees E. I. duPont de Nemours & Company, held in Wilmington, Delaware on December 20 and 21, 1917.

(Corporate Seal)

/s/ *F G Hess*

SEC'Y. FINANCE COMMITTEE
E. I. DU PONT DE NEMOURS AND COMPANY

April 30, 1951.

Government's Exhibit No. 128

March 8, 1918.

To FINANCE COMMITTEE,

FROM TREASURER.

I beg to summarize the conditions surrounding our acquisition of an interest in the General Motors Corporation and Chevrolet Motor Company, in accordance with authority granted.

97,875 shares of Common Stock of General Motors Corporation and 133,690 shares of stock of Chevrolet Motor Company have been acquired at a total net cost of $25,183,758.64.

The purchase was temporarily financed for account of General Industries, Inc., in the following manner:

Liberty Loan Bonds borrowed from duPont Securities Company at par,		$5,856,000.00
Liberty Loan Bonds borrowed from E. I. duPont de Nemours & Company at par,		1,384,000.00
Notes of General Industries, Inc., dated January 8, 1918, maturing September 1, 1918, given Messrs. Hofheimer and Durant, in payment for stock acquired from them,		3,000,000.00
Cash advanced by E. I. duPont de Nemours & Co., handled through special account styled "Finance Committee:		
Aggregate amount charged to "Finance Committee",	$16,144,293.43	
Less repayments credited to "Finance Committee",	1,200,534.79	
Net Cash advanced,		14,943,758.64
		$25,183,758.64

At a meeting of the Board of Directors of the General Motors Corporation February 21, 1918, it was agreed to make an offer to purchase the assets of Chevrolet Motor

Company exclusive of General Motors Corporation Common Stock which that company owns. The price to be paid will result in the ~~Chevrolet~~ Motor Company after disposing of its manufacturing assets having General Motors Corporation stock in its treasury equivalent to one and one seventh shares

—2—

for each share of its outstanding stock. In this way 133,690 shares of Chevrolet Motor Company is equal to, ... 152,788 shares of General Motors Corporation Common Stock which, added to the General Motors Corporation stock acquired as above aggregating, ... 97,875 shares

Resulting in our owning a total equivalent to, ... 250,663 shares

of the enlarged General Motors Corporation out of a total which that Corporation will have outstanding of 1,047,417 shares.

This means that we have acquired a 23.83% interest in the Common Stock of the enlarged General Motors Corporation. The authority granted was to invest $25,000,000.00 in General Motors Corporation Common Stock at par on the assumption that the exchange rate of Chevrolet Motor Company stock would be on a basis of 1.2 shares of General Motors Corporation Common Stock for each share of Chevrolet Motor Company stock.

The exchange rate of 1.2 shares would have resulted in the enlarged General Motors Corporation having approximately 1,080,000 shares of common stock outstanding and an investment of $25,000,000.00 in the stock at par would

have represented a 23.14% interest. A 23.83% interest in the stock at par would, in that event, have cost $25,736,-000.00. As it is we have a 23.83% interest at a cost of $25,183,758.64.

In line with authority granted, the General Industries, Inc., was formed with an authorized capital of $25,000,-000.00, all one class of stock. E. I. duPont de Nemours & Company subscribed to the whole of this authorized capital and has paid in on call of the Board of Directors of General Industries, Inc., 5% or $1,250,000.00. All of the stock of General Motors Corporation and Chevrolet Motor Company acquired, as setforth above has been bought and paid for by General Industries, Inc., so that the books of E. I. duPont de Nemours & Company will show an investment in the stock of General Industries, Inc., of $1,250,000.00, and no investment in the motor companies.

—3—

General Industries, Inc., has financed the acquisition of the motor stocks out of proceeds received from the amount paid on its issued stock and from the sale of approximately $24,000,000.00 of notes. Following is an Assets and Liabilities statement of General Industries, Inc., as of February 28, 1918, after consummating the transaction.

ASSETS

Cash,	$ 36,656.91
97,875 shares General Motors Corporation Common Stock,	11,476,006.73
153,690 shares Chevrolet Motor Company stock,	13,707,751.91
Expenses to date, (See Detail)	89,811.65
Total Assets,	$25,310,227.20

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LIABILITIES:

Capital Stock, authorized and issued—$25,000,000. 5% paid in,		$ 1,250,000.00
Bills Payable:		
W. C. Durant,	$1,200,000.00	
N. Hofheimer, et al.,	1,800,000.00	
New York Banks,	15,000,000.00	
duPont Securities Company,	5,856,000.00	23,856,000.00
Accounts Payable (E. I. duPont de Nemours & Co.)		204,227.20
Total Liabilities,		$25,310,227.20

DETAIL OF EXPENSES:

INCOME:		
Interest on Bank Balances,		$815.20
EXPENSES:		
Interest on Accounts Payable,	$84,466.66	
Expense,	104.00	
Internal Revenue Tax,	4,587.20	
Organization Expense,	1,468.99	$90,626.85
		$89,811.65

The notes issued by General Industries, Inc., are secured partly by General Motors Corporation and Chevrolet Motor Company stocks, and partly by United States Government securities. A detail of the

collateral put up will be found in the statement annexed to this report. The United States Government securities put up as part collateral were loaned to the General Industries, Inc., by E. I. duPont de Nemours & Company under authority granted by your committee.

Notes of interest with respect to General Motors Corporation:

The Board of Directors of General Motors Corporation has been increased to include as new members,—

Messrs. H. F. duPont
Irenee duPont

of 15
so that now of a total number/on the Board, we have a membership of five, as follows:

Messrs. P. S. duPont,
Irenee duPont,
H. F. duPont,
J. A. Haskell
J. J. Raskob

The Finance Committee has been altered to embrace the following members:

Messrs. H. F. duPont,
Irenee duPont,
W. C. Durant,
J. A. Haskell,
J. J. Raskob, Chairman.

The Executive Committee now has the following members:

Messrs. W. P. Chrysler,
R. H. Collins,
W. L. Day,
J. A. Haskell
E. ver Linden
F. W. Warner,
W. C. Durant, Chairman

Mr. H. M. Barksdale who is now on the Board of Chevrolet Motor Company will be placed on the Board of the General Motors Corporation as soon as the former company is wound up and upon his taking the place on the Board, he will be made a member of the Finance Committee and Executive Committee.

The financial management of General Motors Corporation is thrown very largely up to us and plans are under way to bring us into intimate contact with that end of the business.

—5—

Through our connection on the Executive Committee we will be in close contact with the operating and sales end of the business.

In order to make our position in the motor company known in the banking world, Mr. P. S. duPont arranged a dinner in New York on the night of February 21, 1918, at which were present Mr. W. C. Durant and members of our Finance Committee and other members of our Board who may take an active hand in forming the policies of the General Motors Corporation, and to which were invited the heads of our principal New York and Philadelphia banks. At this dinner Mr. P. S. du Pont formally announced our entry into the motor business and Mr. Durant took the opportunity to describe that business in a comprehensive way and there is no doubt but that the dinner resulted in the General Motors Corporation becoming better established in the minds of important bankers of the country.

As a matter of general interest, I am attaching an extract from the latest weekly letter of Moody's Investors Service wherein he comments on what he chooses to call duPont's forethought in providing for "other businesses to take the place later on of its war business". These comments are undoubtedly inspired by the news of our having entered the automobile industry and while John Moody's thoughts on the subject may not be contrasted with our own

views after deliberate consideration, nevertheless, his comments are flattering and may be of passing interest to the Directors.

/s/ J. J. Raskob

FDB/GLN

Note. "Received Mar. 11, 1918, M.D.F." and "Finance Committee, Secy's No. 10267" stamped at top of first page of document. "Return to Executive Committee Room 9069" stamped at bottom.

NOTES OF GENERAL INDUSTRIES, INC., DATED FEBRUARY 28, 1918, PAYABLE AUGUST 28, 1918, WITH INTEREST AT SIX PER CENT. EXECUTED IN FOLLOWING DENOMINATIONS AND SOLD BY GENERAL INDUSTRIES, INC., TO FOLLOWING BANKS, CARRYING COLLATERAL SPECIFIED BELOW.

Bank	Amount of Loan	Collateral 4% U.S. Treasury Certificates	Amount of Second Loan	Collateral: Chevrolet Stock	Collateral: General Motors Common Stock
Chase National Bank,	1,500,000.00	1,500,000.00	500,000.00	11,000 shs.	5,200 shs.
Guaranty Trust Company,	1,500,000.00	1,500,000.00	500,000.00	11,000 "	5,200 "
National City Bank,	1,500,000.00	1,500,000.00	500,000.00	11,000 "	5,200 "
Bankers Trust Company,	1,500,000.00	1,500,000.00	500,000.00	11,000 "	5,200 "
First National Bank,	750,000.00	750,000.00	250,000.00	5,500 "	2,600 "
National Bank of Commerce,	1,500,000.00	1,500,000.00	500,000.00	11,000 "	5,200 "
Equitable Trust Company,	750,000.00	750,000.00	250,000.00	5,500 "	2,600 "
Mechanics & Metals Nat. Bank,	900,000.00	900,000.00	300,000.00	6,600 "	3,120 "
Irving National Bank,	675,000.00	675,000.00	225,000.00	4,950 "	2,340 "
Hanover National Bank,	675,000.00	675,000.00	225,000.00	4,950 "	2,340 "
Totals,	11,250,000.00	11,250,000.00	3,750,000.00	82,500 "	39,000 "
duPont Securities Co.,	5,856,000.00	4,392,000.00	0.00	32,208 "	15,225 "

NOTES OF GENERAL INDUSTRIES, INC., DATED JANUARY 8, 1918, PAYABLE SEPTEMBER 1, 1918, WITH INTEREST AT SIX PER CENT. GIVEN TO FOLLOWING PERSONS IN FOLLOWING AMOUNTS.

W. C. Durant,	1,300,000.00		0.00		17,300 "
Nathan Hofheimer, Trustee,	648,000.00		0.00		9,250 "
Nathan Hofheimer,	252,000.00		0.00		3,800 "
Corinne Hofheimer,	450,000.00		0.00		6,450 "
Helen M. Hofheimer,	225,000.00		0.00		3,200 "
Arthur Hofheimer,	225,000.00		0.00		3,300 "
Grand Totals,	23,106,000.00	15,642,000.00	3,750,000.00	114,708 "	54,225 "

EXTRACT FROM MOODY'S INVESTORS SERVICE OF MARCH 7, 1918.

"After-War Production: The du Pont Powder Co is exercising forethought in providing something for its plants to do after the war is over. This contrasts rather brilliantly with the managements of a great many munition and other companies whose personnel is so puffed up with success as to blindly imagine that its good luck will hold, and that in some way plenty of business can be found for the plants and factories to turn out. The fact that the war consumption is absorbing about 20,000,000 tons of our steel per annum and 325,000 metric tons of our copper does not strike some people as being of any importance; but the du Ponts appreciate what these things mean. They are looking for after-war business now, and others will be looking for it later on.

Hence it is said that the du Pont Company has undertaken the manufacture and sale of fabrikoid, pyralin, lacquers, solvents and other chemicals. The Company has bought during the year the varnish and paint business of Harrison Bros. & Co., the Beckton Chemical Co., Cauley, Clark & Co., and the Bridgeport Wood Finishing Co. It has also purchased nitrate lands in Chile to enable it to produce all of its own nitrates. Meantime its stock earned $77.49 per share in 1917, against $133.31 in 1916; and its gross sales were $269,842,465, as compared with $318,845,685.

Here is a line of a practical kind on the business conditions we may expect to find after the war. One of the most farseeing of our corporations is using its war profits to buy up other businesses to take the place later on of its war business. In other words, it is discounting the future idle-

ness of a considerable portion of its powder plants. When investors in munitions and other war shares begin to discount in like manner, we ought to witness a pretty lively swapping from war brides into standard stocks. Admittedly the war brides look a little fagged and worn after their lively downhill honeymoon of 1917, but they are apt to look a great deal more fagged when peace comes, and hundreds of other managements begin following the example of the du Pont Powder."

Government's Exhibit No. 129

January 23rd, 1918.

W. C. Durant, Esquire,
U. S. Rubber Company Building,
New York City, New York.

Dear Mr. Durant:—

Referring to our conversation of yesterday would advise that Mr. du Pont is arranging to give a dinner at the Metropolitan Club, New York, on Thursday evening, February 21st., to which he will invite you, Mr. J. A. Haskell, the members of our Finance Committee and the Presidents of the following banks, the occasion being the announcement of the partnership we have formed with you and to have opportunity of giving these banks first hand information as to the merits of the motor industry:

First National Bank	New York
National City Bank	"
American Exchange National Bank	"
Liberty National Bank	"
Chase National Bank	"
Guaranty Trust Company	"
Chatham & Phenix National Bank	"
J. P. Morgan & Company	"
Bank of New York	"
Chemical National Bank	"
Irving National Bank	"
Bankers Trust Company	"
Equitable Trust Company	"
Empire Trust Company	"
National Bank of Commerce	"
Park National Bank	"

Hanover National Bank	"
Mechanics & Metals National Bank	"
Philadelphia National Bank	Philadelphia
Fourth Street National Bank	"
Girard National Bank	

I think we should have a meeting of the Directors on the afternoon of that day to put some of our people on the Finance Committee in order that announcement may be made at the dinner of this change, and the change in the Finance Committee can also be made the basis of the announcement of this new alliance to the press on the following morning.

My understanding is that you will take up with your attorneys the matter of having a special Directors' meeting to pass on the question of amending our charter to provide an increase of capitalization to $200 000 000.00 consisting of $50 000 000.00

—2—

of preferred stock and $150 000 000.00 of common stock in order that said amendment may be voted on at the annual meeting of the stockholders in March, thus eliminating the necessity of calling a special stockholders' meeting; in addition the amendment necessary to provide for a Finance Committee and Executive Committee will be prepared—in this connection I am enclosing copy of the charter and by-laws of our company providing for Finance and Executive committees, which in practice have worked splendidly.

It may be necessary to increase the Board of Directors in order to make room for Messrs. Barksdale, Irenee du Pont and H. F. du Pont. I understand Mr. McClement

will likely be willing to retire from the Directorate and possibly Mr. Kaufman, although we here doubt the advisability of asking for the resignation of Mr. Kaufman unless you think we should, as one member more or less on the Board is not material and there is no use in creating ill feeling or making bad friends.

Sincerely yours,

[Mr. Raskob]

P. S. If there are any other New York Bankers whom you think it would be desirable to invite will you please so advise me.

NOTE. Italics indicate pencil notations. "T-71" is written on top of first page.

Government's Exhibit No. 130

GENERAL MOTORS CORPORATION

Meeting of Board of Directors
New York, New York

February 21, 1918

PRESENT:

A. G. Bishop
W. P. Chrysler
R. H. Collins
W. L. Day
Pierre S. du Pont
W. C. Durant
J. A. Haskell
L. G. Kaufman
C. S. Mott
J. J. Raskob
E. VerLinden
F. W. Warner

* * *

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED that Article IV of the By-Laws be amended to read as follows:

ARTICLE IV
EXECUTIVE COMMITTEE AND FINANCE COMMITTEE

Section 1. The Board of Directors shall elect from the Directors an Executive Committee and a Finance Committee, and shall designate for each of these Committees a

Chairman of the Committee to serve during the pleasure of the Board of Directors.

The Board of Directors shall fill vacancies in the Executive Committee or in the Finance Committee by election

from the Directors and at all times it shall be the duty of the Board of Directors to keep the membership of each of such Committees full.

All action by the Executive or by the Finance Committee, shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision or alteration by the Board of Directors, provided that no acts or rights of third parties shall be affected by such revision or alteration.

The Executive Committee and the Finance Committee each shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board of Directors, but in every case the presence of a majority shall be necessary to constitute a quorum.

In every case the affirmative vote of a majority of all the members of a committee shall be necessary to its adoption of any resolution.

Section 2. The Executive Committee shall consist of nine members.

During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of all the business and affairs of the Company (except the matters hereinafter assigned to the Finance Committee) in such manner as the Executive Committee shall deem best for the interests of the Corpora-

tion in all cases in which specific directions shall not have been given by the Board of Directors.

During the intervals between the meetings of the Executive Committee, the Chairman thereof shall possess and may exercise such of the powers vested in the Executive Committee as from time to time may be conferred upon him by resolution of the Board of Directors or of the Executive Committee.

—3—

Section 3. The Finance Committee shall consist of seven members.

The Finance Committee shall have special and general charge and control of all financial affairs of the Corporation and such other matters as may be assigned to it from time to time by the Board of Directors. The Secretary, Assistant Secretaries, Treasurer, Assistant Treasurers, Comptroller, Assistant Comptrollers, the Accounting Department and their respective offices shall be under the direct control and supervision of the Finance Committee.

During the intervals between the meetings of the Board of Directors, the Finance Committee shall possess and may exercise all the powers of the Board of Directors in the management of the financial affairs of the Corporation and such other matters as may be assigned to it from time to time by the Board of Directors, in such manner as said Committee shall deem to be best for the interests of the Corporation, in all cases in which specific directions shall not have been given by the Board of Directors.

During the intervals between the meetings of the Finance Committee, the Chairman thereof shall possess and may exercise such of the powers vested in the Finance Com-

mittee as from time to time may be conferred upon him by resolution of the Board of Directors or of the Finance Committee.

On motion duly made, seconded and carried, the meeting then proceeded to the election of the additional Directors and of the Committees provided for at this meeting, to serve until the next annual meeting of the stockholders and until their successors shall be elected. Nominations of candidates for the two vacancies in the Board of Directors were declared in order. Mr. Henry F. du Pont and Mr. Irenee du Pont were

duly nominated. There being no further nominations the Secretary was instructed by unanimous vote to cast the ballot of all Directors present for Mr. Henry F. du Pont and Mr. Irenee du Pont. The Secretary reported the ballot so cast and thereupon Mr. Henry F. du Pont and Mr. Irenee du Pont were declared duly elected Directors of the Corporation.

Nominations of candidates for membership on the Executive Committee were declared in order. The following gentlemen were duly nominated:

W. P. Chrysler
R. H. Collins
W. L. Day
W. C. Durant
J. A. Haskell
E. VerLinden
F. W. Warner

There being no further nominations the Secretary was instructed by unanimous vote to cast the ballot of all Direc-

tors present for the above named gentlemen. The Secretary reported the ballot so cast and thereupon said gentlemen were declared duly elected members of the Executive Committee.

Nominations of candidates for membership on the Finance Committee were declared in order. The following gentlemen were duly nominated:

—5—

Henry F. du Pont
Irenee du Pont
Pierre S. du Pont
W. C. Durant
J. H. McClement
J. A. Haskell
J. J. Raskob

There being no further nominations the Secretary was instructed by unanimous vote to cast the ballot of all Directors present for the above named gentlemen. The Secretary reported the ballot so cast and thereupon said gentlemen were declared duly elected members of the Finance Committee.

On motion duly made, seconded and unanimously carried, it was

RESOLVED that Mr. W. C. Durant be and he is hereby designated Chairman of the Executive Committee of General Motors Corporation.

On motion duly made, seconded and unanimously carried, it was

RESOLVED that Mr. J. J. Raskob be and he is hereby designated Chairman of the Finance Committee of General Motors Corporation.

* * *

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Government's Exhibit No. 131

GENERAL MOTORS CORPORATION

Meeting of Board of Directors
New York City

March 21, 1918

PRESENT:

A. G. Bishop
W. P. Chrysler
W. L. Day
Henry F. du Pont
Irenee du Pont
Pierre S. du Pont
W. C. Durant
C. S. Mott
J. J. Raskob
F. W. Warner

* * *

SPECIAL DUTIES OF FINANCE COMMITTEE AS ASSIGNED BY BOARD OF DIRECTORS

(a) Recommendation of dividends to be declared by Board of Directors.

(b) Approval of annual or semi-annual estimates of appropriations and the authorization of a general financial plan or plans under which the departments may act without further reference to the Finance Committee for approval of details, except that appropriations involving a commitment of the Company to expenditures of $300,000 or more shall be submitted in detail and approved by the Finance Committee before work is started under such appropriations.

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(c) Authorization of appropriations not in the annual or semi-annual estimate of appropriations which may commit the company to an expenditure of $150,000 or more.

—2—

(d) Approval of financial plans whereby funds for future expenditures on capital account are to be provided. For this purpose a monthly financial forecast shall be sent to the Finance Committee by the Treasurer and Comptroller.

(e) Recommendation to the Directors of plans for the issuance or sale of securities.

(f) Determination of the compensation of the Executive Officers of the company.

(g) Authorization of the sale of any tract of real estate valued on the books of the company or by appraisal at more than $100,000.

(h) Authorization of the persons who shall have access to the safe deposit boxes of the company.

(i) Issuance of powers of attorney to officers or representatives of the company.

(j) Authorization of licenses to others under patents owned or controlled by the company.

* * *

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Government's Exhibit No. 132

GENERAL MOTORS CORPORATION

Meeting of Finance Committee
New York City

June 27, 1918

PRESENT: J. J. Raskob, in the Chair
Henry F. duPont
Irenee duPont
Pierre S. duPont
W. C. Durant
J. A. Haskell

* * *

PURCHASE OF UNITED MOTORS CORPORATION:

Reports were received from the Chairman, dated June 6th, 1918 (#12) and June 24th, 1918 (#13), recommending the above purchase.

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During discussion of this subject Mr. Alfred P. Sloan, Jr., President of the United Motors Corporation, and Mr. John T. Smith, General Counsel for General Motors Corporation, joined the meeting and gave the members certain information in connection therewith.

After full discussion, the above reports were accepted and ordered filed, and the following resolution recommended

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to the favorable consideration of the Board of Directors of this Company:

WHEREAS, it is deemed advisable and necessary for the business of this Corporation to acquire the entire assets and good will of the United Motors Corporation and to assume its obligations,

NOW, THEREFORE, BE IT RESOLVED, that the President and Chairman of the Finance Committee be and they hereby are authorized and empowered to offer to United Motors Corporation to purchase all of its assets and assume all of its liabilities as of July 15, 1918, and to pay therefor the sum of Forty-four million, sixty-five thousand, six hundred ($44,065,-600.) dollars in full paid capital stock of this Corporation, at par, as follows:

$33,049,200. in preferred capital stock and
11,016,400. in common capital stock

with the option to deliver United Motors Corporation stock in part fulfillment thereof at the rate of thirty ($30) of preferred stock at par, and ten ($10) dollars of common stock at par, for each share of United Motors Corporation stock delivered; and

—3—

FURTHER RESOLVED, that the said properties are necessary for the business of this Corporation and of the fair value of at least Forty-four million, sixty-five thousand, six hundred ($44,065,600) dollars, in excess of the liabilities; and

FURTHER RESOLVED, that the President and Chairman of the Finance Committee be and they are

authorized and empowered to do any and all things necessary or proper to acquire said property, and to cause the stock of this Corporation to be issued and delivered therefor; and

FURTHER RESOLVED, that the President and Chairman of the Finance Committee may, in their discretion, in furtherance of the foregoing plan to acquire the assets of the United Motors Corporation, or independently thereof, acquire shares of United Motors Corporation, and to cause to be issued and delivered therefor full paid stock of this Corporation on the basis of $30 of the preferred stock and $10 of the common stock, in this Corporation, for each share of United Motors stock.

* * *

Government's Exhibit No. 133

June 29, 1918

Mr. H. M. Barksdale,

White Sulphur Springs,

West Virginia.

Dear Barkie:

Ethel's letter of June 25th brings the welcome news of positive improvement which we all hope means rapidly increasing gains toward complete restoration of your health. Tell Ethel I thank her very much for the letter and for the news that it contains. It would suit Alice and me to come later and we shall do so probably toward the middle or end of July.

At the General Motors meeting day before yesterday you and Mr. Hohensee were elected to the board of directors. This completes the organization with the exception of Mr. Sloan who will join when the United Motors acquisition is finally made. We authorised the purchase of United Motors stock or the properties of United Motors, as might seem best, at a rate to give $30. of General Motors preferred and $10. General Motors common. Mr Kaufman who was present endeavored to point out the ~~difference~~ disadvantage to United Motors stockholders but the temper of the meeting induced him to take refuge in the statement that he was merely pointing out the advantages to the General Motors Company and his approval of the scheme from that viewpoint. He begged to be excused from voting on the question, however,

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because of his large stockholdings and interest in United Motors, - a legitimate excuse but not very convincingly made. John and I agreed, however, after the meeting that Mr. Kaufman would come with us; and, as this trade will give him some $4,000,000 for his 100,000 shares of stock obtained as a bonus, he has not much cause for complaint, while he has every reason to play with us. Mr. Durant came out in the meeting enthusiastically for making the purchase, although he has been holding back for some time. I think he fears an adverse attack from stockholders who purchased shares at the high figures of 70-90, but that situation cannot be cured and I think Durant realizes the fact.

The General Motors Company is doing very satisfactorily but Durant warned us that the determination of Washington to cut off the steel supply would undoubtedly reduce products severely and he does not seem certain that we will have compensation in Government contracts to occupy our shops. Trucks of all kinds will have priority on the steel question but we cannot turn our entire output to that line. While the above may look badly for General Motors John and I agree that the opportunity of acquisition of shops manufacturing parts and accessories will be made broader through this slacking off in business and we will be able to liquidate quite a line of high price materials in preparation of after war conditions. I can see that the stock market may be

affected by temporary adverse conditions but I cannot see that the general situation is a cause for alarm.

The Government has not yet decided upon the Louisville question excepting that we have been asked to purchase the property, - a wise move in any event. Buckner was told that they thought it might be well to defer Louisville construction until Nashville was well along or finished. He, of course, discouraged this idea as it would be better to work construction with two factories in harmony rather than attempt disposing of one problem before the other was started. Work at Nashville continues very encouraging. Pierce brought to me yesterday the most recent photographs which are even more impressive than the earlier ones. The first day guncotton produced more product than the daily output of Carneys Point before the war, - not an unconsiderable quantity. Since then they have operated all of the nitrate centrifugals which would indicate rapid increase to full production of the unit. Pierce expects to put the first powder through the presses on July 1st. This is not merely an effort to make a showing as the general condition of other units supports the advanced condition of the one that is starting operation. Undoubtedly new units will be brought in much more rapidly than first supposed. The most encouraging feature of the situation is that everything is progressing uniformly, with system and much forethought. This

June 8

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systematic development on an enormous scale is a feature of Nashville construction probably not possible in the earlier days of construction. For this Pierce deserves the greatest credit.

The reports from Charleston are not quite as encouraging, although we have no detailed information. While they started their sulphuric acid plant about a week after ours, it seems unlikely that this effort is supported by development in the remainder of the plant. In my opinion it would be a miracle if the balance in the several operations is properly worked out. Of course indications are that they are not; but, again, we are not minutely informed and possibly should not attempt to criticise. The real comparison of the plants is not in the effort to first start up but in the amount of powder that is turned out prior to a certain date, say, the first of January, 1919.

Our cash position will be a matter for careful study from this time forward. Total balances of $38,000,000, of which $10,000,000 is in the DuPont Engineering Company, will ~~have~~ no cause for immediate concern but our transactions are on such an enormous scale that John is requesting a close study of the situation, especially with respect to cash outlay for acquiring

new properties. It seems that we have already arranged for investment of the funds that we have agreed to employ permanently and should make decision as to further investment.

There seems a little more activity in Washington with regard to the nitrogen question but nothing definite nor hopeful. We have agreed to lend Edgar and Liljenroth for a portion of their time without cost to the Government in the belief that their influence will be helpful toward a proper solution of the problem. I have very little hope of a satisfactory outcome in reasonable time.

Recently I have been pursuaded to look into the life insurance question with a view to the difficulty of settling estates under the new, heavy inheritance taxes. I have thought for some time that it would be unfair to leave my estate in other than a fairly liquid condition lest there should be embarrassement in securing cash to pay taxes without sacrificing securities or injuring the duPont situation. Irenee and Lammot had looked into the question and made a considerable insurance investment. I think they were inspired largely through their confidence in Frederick W. Fuller, who has made a lifetime study of life insurance. I confess that this was somewhat of a factor in my decision also. While in New York on Wednesday I went through the examination, which was very long and careful on account of the amount of insurance. I

was happy to find that everything is in good condition and that I cannot even get a vacation on consequence. I feel quite relieved to have this rather important question settled and off my mind.

I had another letter from Alfred asking that I arrange to send John to him with report on the General Motors situation. This I declined to do on the ground that, while I was quite willing to meet him if he called at the office and discuss with him the company's situation, I did not think it proper to divert the time of the officials of the company to presenting information for his inspection. I also declined furnishing directors' reports.

In a previous paragraph I neglected to mention that J. A. Haskell has been elected Vice President of the General Motors Company and you a member of the Finance Committee.

I look forward to another encouraging letter from you or from Ethel. All send regards and good wishes.

Sincerely yours,

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PS - Under separate cover I am sending you a copy of Buckner's Atlantic City speech which I think you will be interested in reading.

NOTE: "gmc-861" is written in lower right corner of each page. "Photostat" is written in upper left of first page.

Government's Exhibit No. 134

December 12th, 1918.

TO : FINANCE COMMITTEE
FROM: CHAIRMAN

After talking with Mr. Durant regarding the probable expansion program which the General Motors Corporation should adopt as quickly as possible, I have prepared the following estimate of capital expenditures, provision to finance which should ~~be considered~~ by the Finance Committee. The program cannot be completed in less than twelve months and the following estimates are quite liberal:

United Motors Corporation loans at banks	$ 2 000 000.00*
United Motors Corporation expansion excluding houses	2 000 000.00
United Motors Corporation subsidiary preferred stocks	1 300 000.00*
Purchase of Chevrolet-California stock to give us complete ownership	1 200 000.00*
Purchase of McLaughlin-Buick-Canadian property	6 500 000.00*
Walkerville Motor and Tractor plant	1 000 000.00*
Tractor development including working capital requirements	6 000 000.00*
Office building	4 000 000.00*
Proposed credit and insurance companies	4 000 000.00*
St. Louis assembly plant	2 500 000.00*
Other assembly plants	2 000 000.00
Light axle plant	1 500 000.00
Frame plant	1 500 000.00
Forge plant	500 000.00
Scripps-Booth plant	750 000.00
Scripps-Booth notes outstanding	750 000.00*
Scripps-Booth additional working capital	500 000.00
Scripps-Booth — purchase of outstanding stock	400 000.00*
Truck plant	3 000 000.00
Truck axle plant	500 000.00
Differential gear plant	1 500 000.00
New Cadillac plant	3 000 000.00
Houses	2 500 000.00*
Experimental laboratory	1 000 000.00*
Central Foundry plant	1 200 000.00*
Miscellaneous appropriations	1 000 000.00*
Total	52 800 000.00

Although it is not certain that this total amount will be required within the next twelve months, the items marked with a star totaling \$36 150 000.00 should be arranged for immediately; the other items cover an expansion program which should be adopted and work started as soon as it is physically possible to do so after giving

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careful consideration and study to the details of each particular case. It must be understood that the figures shown opposite the respective items are very rough estimates, are not made from any carefully worked out plans and are given merely to arrive at a total which will indicate to the Finance Committee the probable financial needs of the Company during the next twelve or fiteen months.

After talking with Mr. Durant and Mr. Haskell I am confident in my opinion that if the Finance Committee will provide \$52 800 000.00 for expansion during the next twelve or fifteen months we will have amply provided for financing all of the construction work the Executive Committee can possibly accomplish in that period.

My recommendation for providing this money is as follows:

To be provided out of earnings after taxation and dividends	\$24 700 000.00
To be provided through sale of \$18 000 000.00 par value common stock at \$120.00 per share, which stock will be offered to a Syndicate in which all of the common stockholders of the Company will have opportunity of participating	21 600 000.00
To be provided through issuing common stock in payment for the McLaughlin-Buick properties instead of paying for these properties in cash	6 500 000.00
Total	\$52 800 000.00

To accomplish the above it will be necessary to authorize the sale of an amount of stock equal to say, 15%, of the total stock outstanding after our acquisition of the United Motors and McLaughlin Buick properties—this stock to be offered to a Syndicate at $120.00 per share, in which Syndicate all common stockholders of the Company shall have opportunity of participating pro rata.

If the foregoing recommendation meets with the approval of the Finance Committee, the Board of Directors should be called immediately together for the purpose of passing such resolutions as are necessary to consummate the transaction.

NOTE: "gmc-912b" is written in lower right corner of both pages. Stamp on first page is: "Finance Committee Secy's No. 39."

December 14th, 1918.

To Finance Committee

From Vice President J. J. Raskob

The General Motors Corporation is considering the issuance of approximately $5 000 000.00 par value of its common stock in payment for what are known as the McLaughlin-Buick properties in Canada. It is probable that we can secure opportunity to purchase this stock at $130.00 per share, payable in Liberty Bonds at $96.00. I recommend that the proper officers of the Du Pont Company be authorized to acquire this $5 000 000.00 General Motors Corporation stock on approximately the above basis if possible.

The General Motors Corporation is also considering the offering of approximately $18 000 000.00 par value of its common stock to its stockholders at $120.00 a share and is desirous of securing a syndicate to underwrite this offering, which syndicate will of necessity have to extend to each stockholder the right to participate pro rata in said syndicate. I recommend that the proper officers of this Company be authorized to underwrite the entire offering at $120.00, issuing to the stockholders the necessary participation rights with authority on the part of said officers of our company to purchase said rights in the open market at not more than $10.00 per share. In the event of our being successful in the purchase of all of these rights at $10.00 a share, the net result would be that we would

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acquire $18 000 000.00 par value common stock at $130.00 per share aggregating $23 400 000.00 payable in Liberty Bonds at 96, which would aggregate $24 375 000.00 par value of Liberty Bonds. In addition, if we succeed in securing the $5 000 000.00 stock from the McLaughlin interests at $130.00, the cost would be $6 500 000.00, payable in Liberty Bonds at 96 would require $6 770 833.00 in said bonds. Our total acquisition,

—2—

therefore, would be $23 000 000.00 par value General Motors Corporation common stock, for which we would pay $31 145 833.00 in Liberty bonds, which valued at 96% would equal a cash value of $29 900 000.00. It is most unlikely that we will succeed in acquiring all of the above rights; should we do so the total du Pont Company investment in General Motors Corporation should be summarized as follows:

	Par Value	Cost to us
Stock owned at present	$27 972 100.00	$29 021 178.64
McLaughlin stock	5 000 000.00	6 500 000.00
Syndicate stock — if we could secure it all	18 000 000.00	23 400 000.00
Total	$50 972 100.00	$58 921 178.64,
Which latter figure represents an average price to us of $115.50 per share.		
Were we to make a reduction of $3.00 per share on the $23 000 000.00 stock proposed to be purchased to cover the dividend which would be payable February 1st, amounting to		690 000.00
the balance of		$58 231 178.64

would reduce the average price of our holdings to $114.25 per share.

A report addressed to the Finance Committee of General Motors Corporation, a copy of which all of the members of the Finance Committee have, shows that the General Motors Corporation in its expansion over the next year or two will doubtless pay out upwards of $50 000 000.00 and if the plan above referred to is put through the capitalization of the General Motors Corporation as shown by the books of the General Motors Corporation will be approximately as follows:

Debenture stock	$30 745 500.00
Preferred stock	19 684 300.00
Common stock	145 296 100.00
Surplus estimated	35 000 000.00
Total capital employed	$230 725 900.00*

Note—The total good will, valuing Chevrolet assets at their cost some years ago rather than at the price paid therefor, is $23 650 000.00 as shown on the books September 30th, 1918.

—3—

It is difficult to estimate the earnings of General Motors Corporation on account of the uncertainty of Federal Taxes, but based on the first six months of this year before taxes and before the War Industries Board curtailment orders were issued, the earnings
were running at the annual rate of $62 000 000.00

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To this should be added:

Estimated earnings for United Motors Corporation, say,	10 000 000.00
Estimated earnings for Canadian properties, say,	3 000 000.00
Estimated earnings for tractor plant, unknown	0
Estimated earnings of additional $50 000 000.00 to be injected into the business, unknown	0
Total	$75 000 000.00
If we deduct from this amount the 6% dividend on the debenture and preferred stock outstandingsor approximately	3 000 000.00
the balance of	$72 000 000.00

equals upwards of 50% on the $140 000 000.00 common stock outstanding. (Note that approximately $5 000 000.00 of common stock is held in the treasury, which accounts for the difference of $140 000 000.00 used here and $145 000 000.00 used at the bottom of page 2 of this report).

The above figures allow nothing for Federal taxes. If we assume that future Federal tax laws will be so drastic as to take one third of the Corporation's earnings (which to the writer seems impossible) the net earnings would be reduced from

$75 000 000.00 to	$50 000 000.00
deducting the debenture stock dividend of	3 000 000.00
leaves a net of	$47 000 000.00,

which is equal to approximately 34% on the $140 000 000.-00 common stock outstanding.

We will not succeed in acquiring all of the above stock, but if we did, the position of the Du Pont Company would be as follows:

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The amount required to pay the debenture stock dividend and 18% on the common stock of the Du Pont Company per annum is	$14 242 580.00
We would have approximately	
$58 000 000.00 invested in $51 000 000.00 par value General Motors common stock, the dividend on which would amount annually to	6 120 000.00
The difference leaves a balance of	$ 8 122 580.00

to be supplied from the $150 000 000.00, which the Du Pont Company will have invested outside its General Motors Corporation stockholdings. The above figures are of interest in that they indicate quite clearly that by making this investment and barring serious unforseen difficulties

we should be able to continue the Du Pont common stock dividend of 18% per annum.

J. J. Raskob

NOTE: "Finance Committee Secy's No: 13715", "Received Dec 16 1918 M.D.F." (with "28-F" inserted between the date and initials by hand) and "Return to Executive Committee Room 9069" are stamped on the first page. "Gmc-912a" appears in the lower right-hand corner of each page. Italics indicate handwriting.

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Government's Exhibit No. 137

Report of
General Motors Corporation

FOR THE

Fiscal Year ended December 31, 1918.

GENERAL MOTORS CORPORATION

Board of Directors

PIERRE S. DUPONT, *Chairman*

A. G. BISHOP
W. P. CHRYSLER
R. H. COLLINS
W. L. DAY
H. F. DUPONT
IRENEE DUPONT
LAMMOT DUPONT
W. C. DURANT
J. A. HASKELL
F. W. HOHENSEE
L. G. KAUFMAN
J. H. MCCLEMENT
R. S. MCLAUGHLIN
C. S. MOTT
J. J. RASKOB
A. P. SLOAN, JR.
EDWARD VERLINDEN
F. W. WARNER

Finance Committee

J. J. RASKOB, *Chairman*

H. F. DUPONT
IRENEE DUPONT
PIERRE S. DUPONT
LAMMOT DUPONT
W. C. DURANT
J. A. HASKELL

Executive Committee

W. C. DURANT, *Chairman*

W. P. CHRYSLER
R. H. COLLINS
W. L. DAY
J. A. HASKELL
F. W. HOHENSEE
R. S. MCLAUGHLIN
A. P. SLOAN, JR.
EDWARD VERLINDEN
F. W. WARNER

Officers

W. C. DURANT, *President*	New York
A. G. BISHOP, *Vice-President*	Flint
W. P. CHRYSLER, *Vice-President*	Flint
R. H. COLLINS, *Vice-President*	Detroit
W. L. DAY, *Vice-President*	Pontiac
J. A. HASKELL, *Vice-President*	New York
A. W. HIGGINS, *Vice-President*	New York
R. S. MCLAUGHLIN, *Vice-President*	Oshawa, Ont.
C. S. MOTT, *Vice-President*	Flint
J. J. RASKOB, *Vice-President*	Wilmington
A. P. SLOAN, JR., *Vice-President*	New York
EDWARD VERLINDEN, *Vice-President*	Lansing
F. W. WARNER, *Vice-President*	Pontiac
T. S. MERRILL, *Secretary*	Detroit
H. H. RICE, *Treasurer*	Detroit
M. L. PRENSKY, *Comptroller*	Detroit

REPORT TO THE STOCKHOLDERS
OF
GENERAL MOTORS CORPORATION

For the Fiscal Year ended December 31, 1918

DETROIT, MICHIGAN, APRIL 9, 1919.

TO THE STOCKHOLDERS:

Your directors submit herewith the annual report of General Motors Corporation and its subsidiary companies for the fiscal year ended December 31, 1918.

The income and profit and loss accounts include the earnings and surplus of the Corporation and its share of earnings and surplus of subsidiary companies.

INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31, 1918.

Net profits after deducting all expenses of manufacture (including maintenance), selling and administration, as well as ordinary taxes, insurance, and depreciation		$35,504,576.41
Less: Provision for Federal taxes and extraordinary expenditures		20,113,548.19
		$15,391,028.22
General Motors Corporation proportion thereof		$14,825,530.19
Preferred dividends for 12 mos. at rate of 6%	$1,180,901.00	
Debenture dividends for 5 mos. at rate of 6%	739,566.00	1,920,467.00
Undivided profits for 12 months ended December 31, 1918		$12,905,063.19

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Profit and Loss Account

Profit and Loss Surplus at the beginning of the year		$11,508,392.57
Add undivided profits for 12 months ended December 31, 1918 (after making provision for all taxes and the payment of preferred and debenture dividend), as per Income Account shown on preceding page		12,905,063.19
Additions through acquisition of properties:		
Chevrolet Motor Company (of Delaware)	$8,065,083.10	
United Motors Corporation	9,714,607.59	
Other Companies	653,100.98	
Profit from sale of new common stock	4,800,000.00	23,232,791.67
		$47,646,247.43
Less: Cash Dividends paid on common stock:		
February 1, 1918—3%	$2,292,150.00	
May 1, 1918—3%	2,292,567.00	
August 1, 1918—3%	3,205,704.00	
November 1, 1918—3%	3,446,889.00	11,237,310.00
Profit and Loss Surplus December 31, 1918		$36,408,937.43

The net manufacturing profits of $35,504,576.41 are after deducting the sum of $4,616,344.37, to cover depreciation of buildings, machinery and equipment. The plants have been maintained in good operating condition.

These profits are exclusive of profits which accrued to the several companies in 1918, prior to their acquisition by the Corporation.

The combined profits of General Motors Corporation and subsidiary companies before deducting Federal taxes for the twelve months ended December 31, 1918, including the proportion of profits which accrued to the several companies in 1918, prior to the acquisition of the assets by the General Motors Corporation amounted to $45,541,726.00.

Full charges have been included in operating expenses to cover all depreciation in inventories. Inventories at the close of the year were on a thoroughly conservative basis of valuation, being valued at or below cost.

The Condensed Consolidated Balance Sheet, as of December 31, 1918, as compared with December 31, 1917, is to be found on page 16 of this report. Income and Profit and Loss accounts for twelve months ended December 31, 1918, will be found on page 17.

The books and accounts of General Motors Corporation and subsidiary companies have been audited by Messrs. Haskins & Sells, Certified Public Accountants, for the fiscal year ended Dec. 31, 1918, and their certificate is shown on page 18 of this report.

There is included in the Consolidated Balance Sheet as of December 31, 1918, the assets and liabilities of the following divisions and subsidiary companies in addition to various sales companies with nominal capital.

General Motors Group:

Buick Motor Company Division	Flint, Mich.
Cadillac Motor Car Company Division	Detroit, Mich.
Central Forge Company Division	Detroit, Mich.
General Motors Truck Company Division	Pontiac, Mich.
Jackson-Church-Wilcox Company Division	Saginaw, Mich.
Northway Motor & Mfg. Company Division	Detroit, Mich.
Oakland Motor Car Company Division	Pontiac, Mich.
Olds Motor Works Division	Lansing, Mich.
Samson Tractor Company Division	Janesville, Wis.
Scripps-Booth Corporation	Detroit, Mich.
Champion Ignition Company	Flint, Mich.
The McLaughlin Motor Car Company, Ltd.	Oshawa, Ont.
The McLaughlin Carriage Company, Ltd.	Oshawa, Ont.
General Motors Export Company	New York, N. Y.
General Motors (Europe) Ltd.	London, Eng.
Janesville Machine Company	Janesville, Wis.

Chevrolet Group:

Chevrolet Motor Company of Michigan	Flint, Mich.
Chevrolet Motor Company of New York, Inc.	Tarrytown, N. Y.
Chevrolet Motor Company of Texas	Fort Worth Tex.
Chevrolet Motor Company of St. Louis	St. Louis, Mo.
Chevrolet Motor Company of Canada, Ltd.	Oshawa, Ont.
Chevrolet Motor Company of Bay City	Bay City, Mich.
St. Louis Manufacturing Corporation	St. Louis, Mo.
Toledo-Chevrolet Company	Toledo, Ohio

United Motors Group:

Dayton Engineering Laboratories Co.	Dayton, Ohio
Hyatt Roller Bearings Division	Newark, N. J.
Jaxon Steel Products Division	Jackson, Mich.
Remy Electric Division	Anderson, Ind.
Harrison Radiator Corporation	Lockport, N. Y.
New Departure Manufacturing Co.	Bristol, Conn.
Lancaster Steel Products Co.	Lancaster Pa.

Capital Stock

The capital stock of the Corporation outstanding on December 31, 1918 was as follows:

Debenture stock, 6% Cumulative	$ 29,175,300
Preferred stock, 6% Cumulative	19,671,000
Common stock	147,379,900

The changes since the last annual report, December 31, 1917 are:

Debenture stock increased	$ 29,175,300
Preferred stock decreased	5,800
Common stock increased	70,506,600

which are explained as follows:

		Preferred	Debenture	Common
Shares exchanged for shares of preferred stock of General Motors Company (of New Jersey)		$ 7,500		
Less: acquired in treasury through the purchase of The McLaughlin Carriage Co. Ltd.,		13,300		
Issued for Chevrolet Motor Co. (of Delaware) assets				$28,268,400
Issued for United Motors Corporation assets			$29,869,200	9,956,400
Issued for all of the capital stock of Chevrolet Motor Company of Canada, Ltd., The McLaughlin Carriage Co. Ltd., and the balance of the capital stock of The McLaughlin Motor Car Company, Ltd., not already owned by the Corporation				4,900,000
Issued for all the capital stock of Lancaster Steel Products Company and $1,566,000 par value General Motors debenture stock			500,000	1,617,500
Issued in exchange for 22,975 shares of no par value Scripps-Booth Corp. common stock				381,200
Issued in exchange for $387,100. par value of preferred stock of Harrison Radiator Corporation			387,100	
New issue common stock sold				24,000,000
Issued to employees under bonus plan, out of balance in treasury December 31, 1917				1,361,900
Issued for services				21,200
		$ 5,800	$30,756,300	$70,506,600
Less: acquired in treasury through purchase of capital stock of Lancaster Steel Products Company	$1,566,000			
Miscellaneous	15,000		1,581,000	
Increase in outstanding		$*5,800	$29,175,300	$70,506,600

*decrease

Indebtedness

The Notes Payable of $10,802,154.11 shown on the balance sheet, represent $7,000,000 borrowed from banks on account of war business which has since been paid, and the balance of $3,802,154.11 covers indebtedness assumed in the purchase of properties during the year all of which will be liquidated at maturity.

The other indebtedness of the Corporation on December 31, 1918, consisted, of current accounts payable, of $18,453,316.99 (composed wholly of obligations for merchandise, etc.), and $3,769,865.29 liabilities accrued but not due, for pay rolls, ordinary taxes and other sundry items.

Working Capital

The net working capital as shown by the balance sheet of December 31, 1918 amounted to $149,902,028.70, as follows:

	1918	1917
Current Assets:		
Cash in banks and on hand	$30,636,621.48	$18,865,645.27
Liberty Bonds	28,852,018.00	1,255,000.00
Marketable securities	172,304.86	——
Sight drafts against B/L attached	3,316,384.90	7,590,279.25
Due from U. S. Government on War contracts	7,305,626.76	449,855.83
Notes ($1,285,908.01) and accounts receivable	21,995,359.50	5,555,403.34
Inventories at cost or less	91,137,512.59	46,559,394.15
Total Current Assets	$183,415,828.09	$80,275,577.84
Less Current and Accrued Liabilities:		
Current accounts payable	$18,453,316.99	$10,665,717.52
Notes payable	10,802,154.11	——
Taxes, pay rolls & sundries accrued, not due	3,769,865.29	4,858,326.57
	$33,025,336.39	$15,524,044.09
	$150,390,491.70	$64,751,533.75
From which deduct amount reserved for two months proportion of dividend on preferred and debenture stock, payable February 1	488,463.00	196,768.00
Net working capital	$149,902,028.70	$64,554,765.75

It will be seen from the above that the net working capital has been increased during the year by $85,347,262.95 of which amount $27,164,-610.04 represented the increase through the purchase of properties.

The investment in Liberty Bonds of $28,852,018.00 represents a par value of $30,238,993.00.

The large increase in the outstanding Accounts Receivable is due to the greater number of companies entering into the consolidation.

Capital Expenditures

Balance in real estate, plants and equipment at December 31, 1917, before deducting reserve for depreciation		$40,086,374.34
Additions through purchase of properties:		
Chevrolet Motor Co. (of Delaware)	$13,471,758.42	
United Motors Corporation	23,414,149.62	
Other companies	3,719,426.95	40,605,334.99
Expended during the year (net)		6,126,705.18
Balance in real estate, plants and equipment December 31, 1918		$86,818,414.51

The expenditure of $6,126,705.18, shown above, covers the first unit of the Central Forge Division plant in Detroit; the site for the Buick and Chevrolet assembly plants in St. Louis, Mo., the motor plant for the Olds Motor Works Division at Lansing; the site for the Samson Tractor plant at Janesville, Wis., and other miscellaneous expenditures for plant and equipment.

Good-Will, Patents, Copyrights, Etc.

The increase during the year in Good-Will, Patents, Copyrights, Etc., is due to the acquisition of various properties, and is made up as follows:—

Chevrolet Motor Co. (of Delaware)	$6,998,991.06
United Motors Corporation	16,408,065.34
Other companies	610,333.55
Total	$24,017,389.95
Less: Patents, agreements, etc. written off during the year	274,100.00
Increase	$23,743,289.95

General

The net sales of General Motors Corporation and subsidiary companies for the twelve months ended December 31, 1918, (not including the sales of the companies purchased during the year prior to their acquisition) amounted to $269,796,829.78. The net sales of all companies for the twelve months ended December 31, 1918, amounted to $326,044,755.95. The number of cars, trucks and tractors sold during the year was 246,834.

The payrolls for the year 1918 aggregated $52,500,000. The number of employes in the service of the Corporation and its subsidiary companies on December 31, 1918 was 49,118.

Manufacture of War Products

Concerning the work done by the Corporation on war products, a word at this time may not be out of place. Of the twenty-three operating units, eighteen were engaged on government contracts. The gross value of the products actually completed was approximately $35,000,000. At the time the armistice was signed, the orders and contracts in hand exceeded $50,000,000. In the execution of these various contracts too much credit cannot be given the executive heads and employes who, in many instances, succeeded in reaching volume production in record time, regardless of seemingly insurmountable difficulties.

AMBULANCES AND TRUCKS

The United States had been at war hardly a month when the Truck Division received a large order for its Model 16 chassis to be used for ambulance mounts. During the Mexican trouble this chassis, in actual service, had proven to be especially well adapted to ambulance work and was adopted by the Medical Corps for all motorized units. In the Summer of 1918, after having spent months on the design of a new chassis for universal military service, the Army finally acknowledged the sterling worth of the G.M.C. Model 16 chassis by making it the standard ¾ ton chassis for all arms. General Motors furnished over 5,000 of these vehicles.

OFFICERS' CARS

The Quartermasters Corps, supplying the majority of the vehicles used by all branches of the service, early adopted the Cadillac as the standard officers' car. A total of 2,350 Cadillac cars practically standard in all respects were supplied.

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ARTILLERY TRACTOR ENGINES

The Cadillac Eight-cylinder engine, with a few slight changes, was adopted by the Ordnance Department as the power plant for the 2½ ton artillery tractor. A total of 1,157 engines were supplied for this purpose.

LIBERTY MOTORS

In the production of Liberty motors for aircraft work, the Buick and Cadillac Divisions made an exceptional record. Regardless of the delayed start, due to the fact that the General Motors Corporation had been selected to build a special type rotary engine which was afterward abandoned, Liberty motors were being delivered within five months from the time the contract was taken. The high standard of excellence of the product of these Divisions has everywhere been recognized. At the time the armistice was signed, there were orders for over 10,000 Liberty Aircraft Engines on the books and 2,528 Liberty engines were actually completed and delivered.

TRENCH MORTAR SHELLS

The Jackson-Church-Wilcox Division, operating an entire plant on trench mortar shells, reached a production of 20,000 per day. This Division holds the record as the largest producer of these shells in America.

ADJUSTMENT OF GOVERNMENT CLAIMS

It is gratifying to report that war product operations were in such condition when cancellations were desired that at this date substantially every claim against the government has been satisfactorily adjusted.

TRACTOR BUSINESS

The development of the tractor business is continuing most satisfactorily, and notwithstanding the stoppage of active construction work on the first unit of the new tractor plant at Janesville, Wisconsin, in the Fall of 1918, due to the war, the production of Samson tractors in quantities is expected to be reached shortly. The future of this business is encouraging.

ACQUISITION OF PROPERTIES

During the year the Corporation acquired the following interests:

All the assets of Chevrolet Motor Company, a Delaware corporation, (except 450,000 shares of General Motors Corporation common stock) as of May 2, 1918, paying therefor $28,268,400 par value of common stock.

All of the common capital stock ($1,000,000 par value) of the Janesville Machine Company, Janesville, Wisconsin, on July 1, 1918, paying therefor $1,000,000 in cash.

A controlling interest on July 1, 1918 in the no par value common stock of the Scripps-Booth Corporation, paying therefor through an exchange of securities on the basis of one share of General Motors common stock for six shares of no par value Scripps-Booth stock.

All of the capital stock of Chevrolet Motor Company of Canada, Ltd., The McLaughlin Carriage Company, Ltd., and the balance of the capital stock of The McLaughlin Motor Car Company, Ltd., not already owned by the corporation, as of November 1, 1918, paying therefor $4,900,000 par value common stock and $550,000 in cash.

All the assets of United Motors Corporation, subject to liabilities, as of December 31, 1918, paying therefor $29,869,200 par value debenture stock, $9,956,400 par value common stock, and 106,000 shares of United Motors stock owned by General Motors Corporation; plus an amount in cash equal to the dividends on the debenture and common stock subsequent to October 1, 1918.

All the preferred and common stock of Lancaster Steel Products Company and $1,566,000 par value of General Motors debenture stock as of December 31, 1918, paying therefor $1,617,500 par value common stock and $500,000 par value debenture stock.

All of the ($387,100 par value) Harrison Radiator Corporation preferred stock as of December 31, 1918, paying therefor $387,100 par value debenture stock and $38,710 in cash.

New Issue Common Stock

In order to provide additional capital to meet the expansion program adopted by your Board, there was authorized an issue of $24,000,000 par value of Common Capital Stock, which was sold without expense to the Corporation, for $28,800,000 subject to the right of the common stockholders to subscribe therefor.

Bonus Plan

The Corporation has adopted a bonus plan under which stock of the Corporation is distributed each year as a reward to its employees, including employees of subsidiary Companies, who have contributed to its success in a special degree, by their inventions, ability, industry, loyalty or

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exceptional service. It is hoped thereby, not only to compensate services rendered, but also to encourage further efforts by making its employees partners in the Corporation's prosperity. Under the bonus plan, the amount which may be distributed each year is determined by taking 10% of the net earnings of the Corporation after deducting therefrom an amount equal to 6% on the capital invested. The bonus plan is in no sense a "profit sharing plan" in the meaning of that term as generally used. There was awarded for the year 1918, under this plan, a total of 24,334 shares of the common capital stock of the Corporation, at a cost to the Corporation of approximately $2,798,410.

Miscellaneous

The outlook for the coming year is most promising. Since the signing of the armistice and the subsequent liquidation of the war contracts, which your Corporation was engaged in, the plants and facilities have been reconverted in an incredibly short time to their regular lines of activity, and as a result the manufacturing operations are considerably advanced, as is evidenced by the showing for the first quarter of 1919; the number of cars, trucks, and tractors sold to March 31, 1919 inclusive being 82,456; the net profits before deducting Federal taxes are estimated at upwards of $20,000,000.

The preferred dividends have been paid during the year at the full rate of six per cent. In the purchase of United Motors assets, the Debenture stock which was delivered in part payment thereof, carried with it an amount in cash equivalent to the November 1 dividend of 1½%.

Regular dividends of 3% quarterly were paid on the common stock during the year.

The number of stockholders of the Corporation is in excess of 12,000 at this date.

The General Motors Corporation is to be congratulated upon the association with the E. I. duPont de Nemours & Company resulting from the acquisition of a large stock interest by that company which insures financial stability and the cooperation of the finest engineering organization in the country.

Your directors take pleasure in acknowledging their high appreciation of the loyalty and efficiency of your officers and employees.

By order of the Board of Directors.

W. C. DURANT,
President.

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DETROIT, MICHIGAN, APRIL 5, 1919.

MR. W. C. DURANT, *President*

New York, N. Y.

Dear Sir:- I submit herewith the following statements showing the results of operation and the financial condition of General Motors Corporation and its subsidiary companies, consolidated, for the periods named:

Statement 1. Condensed Consolidated Balance Sheet, as of December 31, 1918, compared with December 31, 1917.

Statement 2. Income Account for 12 months ended December 31, 1918.

Statement 3. Profit and Loss Account for 12 months ended December 31, 1918.

Yours,

M L. PRENSKY,

Comptroller.

Statement 1

CONDENSED COMPARATIVE CONSOLIDATED BALANCE SHEET OF GENERAL MOTORS CORPORATION AND SUBSIDIARY COMPANIES AS OF DECEMBER 31, 1918 AND 1917

ASSETS	DECEMBER 31, 1918	DECEMBER 31, 1917
Permanent Investment:		
Real estate, plants and equipment	$ 86,818,414.51	$ 40,086,374.34
Less: reserve for depreciation	10,061,983.38	1,428,539.28
	$ 76,756,431.13	$ 38,657,835.06
Investments in allied and accessories companies	2,839,531.23	2,030,273.48
Current and Working Assets:		
Cash in banks and on hand	30,636,621.48	18,865,645.27
Liberty Bonds	28,852,018.00	1,255,000.00
Marketable securities	172,304.86	—
Sight drafts against B/L attached	3,316,384.90	7,590,279.25
Due from United States Government on war contracts	7,305,626.76	449,855.83
Notes ($1,285,908.01 in 1918) and accounts receivable	21,995,359.50	5,555,403.34
Inventories at cost or less	91,137,512.59	46,559,394.15
Total Current and Working Assets	$183,415,828.09	$ 80,275,577.84
Deferred expenses	762,651.85	854,434.61
Good-will, patents, copyrights, etc	35,714,893.43	11,971,603.48
Total	$299,489,335.73	$133,789,724.47

LIABILITIES	DECEMBER 31, 1918	DECEMBER 31, 1917
Capital Stock:		
Debenture stock (authorized $150,000,000) issued	$ 30,756,300.00	—
Less: in treasury of General Motors Corporation	1,581,000.00	—
In hands of public	$ 29,175,300.00	—
Preferred stock (authorized $20,000,000) issued	$ 19,684,300.00	$ 19,676,800.00
Less: in treasury of General Motors Corporation	13,300.00	—
In hands of public	$ 19,671,000.00	$ 19,676,800.00
Common stock (authorized $200,000,000) issued	$151,301,100.00	$ 82,558,800.00
Less: in treasury of General Motors Corporation	3,921,200.00	5,685,500.00
In hands of public	$147,379,900.00	$ 76,873,300.00
Total in hands of public	$196,226,200.00	$ 96,550,100.00
Purchase Money Bonds	225,000.00	—
Outstanding Capital Stock (par value) and surplus of subsidiary companies, being the portion not owned by General Motors Corporation:		
Capital Stock	$ 2,960,400.83	$ 540,500.00
Surplus	427,754.20	859,083.18
Total	$ 3,388,155.03	$ 1,399,583.18
Current Liabilities:		
Accounts payable	$ 18,453,316.99	$ 10,665,717.52
Notes payable	10,802,154.11	—
Taxes, pay rolls, and sundries accrued not due	3,769,865.29	4,858,326.57
Total Current Liabilities	$ 33,025,336.39	$ 15,524,044.09
Reserves:		
For two months' proportion of Dividend on Preferred and Debenture stock, payable Feb. 1	$ 488,463.00	$ 196,768.00
For Federal taxes and extraordinary expenditures	25,863,823.23	6,939,018.55
For sundry contingencies	3,863,420.65	1,671,818.08
Total	$ 30,215,706.88	$ 8,807,604.63
Surplus	36,408,937.43	11,508,392.57
Total	$299,489,335.73	$133,789,724.47

Statement 2

INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31, 1918

Net Profits after deducting all expenses of manufacture (including maintenance) selling and administration, as well as ordinary taxes, insurance and depreciation		$35,504,576.41
Less: Provision for Federal taxes and extraordinary expenditures		20,113,548.19
		$15,391,028.22
General Motors Corporation proportion thereof		$14,825,530.19
Preferred Dividends for 12 months at rate of 6%	$ 1,180,901.00	
Debenture Dividends for 5 months at rate of 6%	739,566.00	1,920,467.00
Undivided Profits for 12 months ended December 31, 1918		$12,905,063.19

Statement 3

PROFIT AND LOSS ACCOUNT

Profit and Loss Surplus at the beginning of the year		$11,508,392.57
Add undivided profits per Income Account above		12,905,063.19
Additions through acquisition of properties:		
Chevrolet Motor Company (of Delaware)	$ 8,065,083.10	
United Motors Corporation	9,714,607.59	
Other Companies	653,100.98	
Profit from sale of new Common Stock	4,800,000.00	23,232,791.67
		$47,646,247.43
Less: Cash dividends paid on Common Stock		
February 1, 1918— 3%	$ 2,292,150.00	
May 1, 1918— 3%	2,292,567.00	
August 1, 1918— 3%	3,205,704.00	
November 1, 1918— 3%	3,446,889.00	11,237,310.00
Profit and loss surplus December 31, 1918		$36,408,937.43

NOTE The various tangible and intangible assets acquired by the Corporation during the year were valued and written on the Corporation's books at the same aggregate amount as they had been carried on the books of the corporations so purchased; as these amounts are in excess of the par value of the securities of the General Motors Corporation issued in payment for such assets, the difference results in an addition to the surplus account of the Corporation, as shown above.

The properties of the Chevrolet Motor Company of Canada, Ltd., The McLaughlin Carriage Company, Ltd., and The McLaughlin Motor Car Company, Ltd., which were acquired during the year, were appraised and the book values adjusted to agree therewith.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
CABLE ADDRESS "HASKSELLS"
30 BROAD STREET
NEW YORK

NEW YORK
CHICAGO
DETROIT
SAINT LOUIS
BOSTON
CLEVELAND
BALTIMORE
PITTSBURGH

SAN FRANCISCO
LOS ANGELES
NEW ORLEANS
SEATTLE
DENVER
ATLANTA
WATERTOWN
LONDON

GENERAL MOTORS CORPORATION,
Detroit, Michigan.

We have audited your general accounts and those of your subsidiary manufacturing companies for the year ended December 31, 1918, and, subject to our not having examined the minutes of your governing bodies,

WE HEREBY CERTIFY that, in our opinion, the accompanying Condensed Consolidated Balance Sheet, December 31, 1918, and related Summaries of Income and Profit & Loss for the year ended that date are correct.

HASKINS & SELLS

New York,
April 5, 1919.

Government's Exhibit No. 138

GENERAL MOTORS CORPORATION
Meeting of Finance Committee
New York City

September 25, 1919

PRESENT: J. J. Raskob, Chairman
W. C. Durant
P. S. duPont
Lammot duPont
H. F. duPont
Also John T. Smith, of Counsel

* * *

PURCHASE OF THREE-FIFTHS INTEREST IN THE FISHER BODY CORPORATION:

Report was received from the Chairman dated September 11th, 1919 (#105) enclosing copy of letter written to F. J. Fisher, President of the Fisher Body Corporation, dated September 11th, 1919, outlining in detail an offer by General Motors Corporation to purchase (after the Fisher Body Corporation has increased its authorized common stock from 200,000 shares of no par value to 500,000 shares) 300,000 shares of common stock of no par value at $92.00 per share, payable in cash, and as a further consideration, agreeing to give to the Fisher Body Corporation immediately such of our closed body business as it is able to handle now and in the future. The offer further provides that the Fisher Body Corporation shall immediately purchase from the General Motors Corporation $27,000,000 of its

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6% notes, $5,000,000. of which shall mature with the ma-

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turities of the present outstanding $5,000,000. of Fisher Body Corporation notes recently sold, and of the balance, $1,000,000. shall mature on November 1st, 1919, and $1,000,000. each month thereafter until all of the notes are paid, interest on the notes to be payable quarterly. It is further stipulated that at least 251,000 shares of Fisher Body Corporation stock, which will then represent a majority of the stock then issued and outstanding to be supplied by the General Motors Corporation and the present managing stockholders, shall be placed in a voting trust under which there shall be four trustees consisting of two to be named by the President of the Fisher Body Corporation and Messrs. W. C. Durant and Pierre S. duPont representing the General Motors Corporation, any vacancy in the trustees to be filled by the side whose trustee is thus lost.

The Chairman orally advised the Committee of the existence of a contract under which the four younger Fisher boys receive 5% of the net earnings and further advised that it is proposed by the Fisher Body Corporation to enter into an additional contract under which the two older Fisher boys will also receive 5% of the net earnings.

The Chairman further advised that the offer as outlined in the above mentioned letter to Mr. F. J. Fisher, President of the Fisher Body Corporation, dated September 11th,

—3—

1919, has been informally approved by a majority of the members of this Committee and has also since been practically accepted by the Fisher Body Corporation.

After discussion, it was moved and unanimously carried that the above mentioned report dated September 11th, 1919 (#105) be accepted and ordered filed and the informal

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action taken by a majority of the members of this Committee in authorizing the offer as outlined in said report covering the purchase of a three-fifths interest in the Fisher Body Corporation be approved, ratified and confirmed.

* * *

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NOTE: The various tangible and intangible assets acquired by the Corporation during the year were valued and written on the Corporation's books at the same aggregate amount as they had been carried on the books of the corporations so purchased. As these amounts are in excess of the par value of the securities of the General Motors Corporation issued in payment for such assets, the difference results in an addition to the surplus account of the Corporation, as shown above.

The properties of the Chevrolet Motor Company of Canada, Ltd., The McLaughlin Carriage Company, Ltd., and The McLaughlin Motor Car Company, Ltd., which were acquired during the year, were appraised and the book values adjusted to agree therewith.

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Government's Exhibit No. 139

Report of
General Motors Corporation

FOR THE

Fiscal Year Ended December 31, 1919.

GENERAL MOTORS CORPORATION

Board of Directors

PIERRE S. DUPONT, *Chairman*

A. G. BISHOP
H. H. BASSETT
R. H. COLLINS
W. L. DAY
H. F. DUPONT
IRENEE DUPONT
LAMMOT DUPONT
W. C. DURANT
J. A. HASKELL
F. W. HOHENSEE
L. G. KAUFMAN
J. H. MCCLEMENT
R. S. MCLAUGHLIN
C. S. MOTT
J. J. RASKOB
A. P. SLOAN, JR.
JOHN THOMAS SMITH
EDWARD VERLINDEN
F. W. WARNER

Finance Committee

J. J. RASKOB, *Chairman*

H. F. DUPONT
IRENEE DUPONT
PIERRE S. DUPONT
LAMMOT DUPONT
W. C. DURANT
J. A. HASKELL

Executive Committee

W. C. DURANT, *Chairman*

H. H. BASSETT
R. H. COLLINS
W. L. DAY
J. A. HASKELL
F. W. HOHENSEE
R. S. MCLAUGHLIN
A. P. SLOAN, JR.
EDWARD VERLINDEN
F. W. WARNER

Officers

W. C. DURANT, *President* .... New York
H. H. BASSETT, *Vice-President* .... Flint
A. G. BISHOP, *Vice-President* .... Flint
R. H. COLLINS, *Vice-President* .... Detroit
W. L. DAY, *Vice-President* .... Pontiac
J. A. HASKELL, *Vice-President* .... New York
A. W. HIGGINS, *Vice-President* .... New York
F. W. HOHENSEE, *Vice-President* .... New York
R. S. MCLAUGHLIN, *Vice-President* .... Oshawa, Ont.
C. S. MOTT, *Vice-President* .... Flint
J. J. RASKOB, *Vice-President* .... Wilmington
H. H. RICE, *Vice-President* .... Detroit
A. P. SLOAN, JR., *Vice-President* .... New York
JOHN THOMAS SMITH, *Vice-President* .... New York
EDWARD VERLINDEN, *Vice-President* .... Lansing
F. W. WARNER, *Vice-President* .... Pontiac
T. S. MERRILL, *Secretary* .... Detroit
M. L. PRENSKY, *Treasurer* .... Detroit
FRANK TURNER, *Comptroller* .... Detroit

REPORT TO THE STOCKHOLDERS

OF

GENERAL MOTORS CORPORATION

For the Fiscal Year ended December 31, 1919

DETROIT, MICHIGAN, APRIL 9, 1920.

TO THE STOCKHOLDERS:

Your directors submit herewith the annual report of General Motors Corporation and its subsidiary companies for the fiscal year ended December 31, 1919.

The income and profit and loss accounts include the earnings and surplus of the Corporation and its share of earnings and surplus of subsidiary companies.

INCOME ACCOUNT FOR TWELVE MONTHS ENDED DECEMBER 31, 1919 AND 1918

	1919	1918
Net profits for year after deducting all expenses of manufacture (including maintenance), selling and administration, as well as ordinary taxes, insurance, depreciation ($6,656,359.03 in 1919) of plant and equipment, employes' bonus stock, employes' investment fund and allowances to employes on houses	$90,517,519.38	$35,504,576.41
Less: Provision for Federal taxes and extraordinary expenditures	30,000,000.00	20,113,548.19
	$60,517,519.38	$15,391,028.22
General Motors Corporation proportion thereof	$60,005,484.49	$14,825,530.19
Preferred dividends for 12 months at rate of 6%	$ 1,032,376.00	$ 1,180,901.00
Debenture dividends for 12 months at rate of 6%	3,180,136.60	739,566.00
	$ 4,212,512.60	$ 1,920,467.00
Undivided profits for 12 months	$55,792,971.89	$12,905,063.19

Profit and Loss Account

Profit and Loss Surplus, December 31, 1918		$36,408,937.43
Add undivided profits for 12 months ended December 31, 1919 (after making provision for all taxes and the payment of preferred and debenture dividends), as per Income Account shown on preceding page		55,792,971.89
Additions through acquisition of properties and other adjustments		3,764,529.00
		$95,966,438.32
Less: Cash Dividends paid on common stock:		
February 1, 1919—3%	$ 4,431,438.00	
May 1, 1919—3%	4,028,001.00	
August 1, 1919—3%	4,215,147.00	
November 1, 1919—3%	4,649,955.00	17,324,541.00
Profit and Loss Surplus, December 31, 1919		$78,641,897.32

The plants have been maintained in good operating condition. Ample provision has been made for depreciation of inventories, which are carried on a conservative basis, being valued at or below cost.

The Condensed Consolidated Balance Sheet, as of December 31, 1919, as compared with December 31, 1918, is to be found on page 16 of this report. Income and Profit and Loss Accounts for 12 months ended December 31, 1919, as compared with December 31, 1918, will be found on page 17.

The books and accounts of General Motors Corporation and subsidiary companies have been audited by Messrs. Haskins & Sells, Certified Public Accountants, for the fiscal year ended December 31, 1919, and their certificate is shown on page 19 of this report.

There is included in the Consolidated Balance Sheet as of December 31, 1919, the assets and liabilities of the following divisions and subsidiary companies in addition to various sales companies:

Passenger Cars and Trucks

GENERAL MOTORS GROUP:

Buick Motor Division	Flint, Mich.
Cadillac Motor Car Division	Detroit, Mich.
General Motors Truck Division	Pontiac, Mich.
Oakland Motor Car Division	Pontiac, Mich.
Olds Motor Works Division	Lansing, Mich.
Scripps-Booth Corporation	Detroit, Mich.

CHEVROLET GROUP:

Chevrolet Motor Company of Michigan	Flint, Mich.
Chevrolet Motor Company of New York, Inc	Tarrytown, N. Y.
Chevrolet Motor Company of St. Louis, Inc	St. Louis, Mo.
Chevrolet Motor Company of Texas	Ft. Worth, Texas

GENERAL MOTORS OF CANADA, LTD.:

Canadian Products, Ltd., Division	Walkerville, Ont.
Chevrolet Motor Company of Canada Division	Oshawa, Ont.
McLaughlin Motor Car Division	Oshawa, Ont.
Olds Motor Works of Canada Division	Oshawa, Ont.

Tractors and Implements

Samson Tractor Division	Janesville, Wis.
Samson Tractor Company of California	Stockton, Calif.

Accessories

UNITED MOTORS GROUP:

Buffalo Metal Goods Company	Buffalo, N. Y.
Dayton Engineering Laboratories Company	Dayton, Ohio
Harrison Radiator Corporation	Lockport, N. Y.
Hyatt Roller Bearing Division	Newark, N. J.
Jaxon Steel Products Division	Jackson, Mich.
Klaxon Company	Newark, N. J.
Lancaster Steel Products Corporation	Lancaster, Pa.
New Departure Manufacturing Company	Bristol, Conn.
Remy Electric Division	Anderson, Ind.

Miscellaneous

Champion Ignition Company	Flint, Mich.
Dayton-Wright Company	Dayton, Ohio
Delco-Light Company	Dayton, Ohio
Frigidaire Corporation	Detroit, Mich.
General Motors (Europe), Ltd	London, England
General Motors Export Company	New York, N. Y.
Sunnyhome Electric Company	Detroit, Mich.
United Motors Service, Inc	Detroit, Mich.

Parts

CENTRAL PRODUCTS DIVISION:

Central Axle Division	Detroit, Mich.
Central Forge Division	Detroit, Mich.
Central Gear Division	Detroit, Mich.
Northway Motor and Manufacturing Division	Detroit, Mich.

MUNCIE PRODUCTS DIVISION:

Muncie Parts Division	Muncie, Ind.
T. W. Warner Plant	Muncie, Ind.

SAGINAW PRODUCTS DIVISION:

Central Foundry Division	Saginaw, Mich.
Central Motor Division	Saginaw, Mich.
Jackson-Church-Wilcox Division	Saginaw, Mich.
Saginaw Malleable Iron Company	Saginaw, Mich.

GENERAL:

Chevrolet Motor Company of Bay City	Bay City, Mich.
Michigan Crank Shaft Division	Lansing, Mich.
St. Louis Manufacturing Corporation	St. Louis, Mo.
Toledo-Chevrolet Motor Company	Toledo, Ohio

Affiliated Companies, our interest in which is included in "Investments."

Bearings Service Company	Detroit, Mich.
Brown-Lipe-Chapin Company	Syracuse, N. Y.
Doehler Die Casting Company	Brooklyn, N. Y.
Fisher Body Corporation	Detroit, Mich.
General Leather Company	Newark, N. J.
General Motors Acceptance Corporation	New York, N. Y.
Independent Lamp and Wire Company	Weehawken, N. J.
Novelty Incandescent Lamp Company	Emporium, Pa.

Capital Stock

The capital stock of the Corporation outstanding on December 31, 1919, was as follows:

Preferred stock, 6%	$16,957,000
Debenture stock, 6%	68,339,300
Common stock	153,411,000
Total Outstanding Capital Stock	$238,707,300

The changes since the last annual report, December 31, 1918, are:

Preferred stock decreased	$2,714,000
Debenture stock increased	39,164,000
Common stock increased	6,031,200

These changes are explained as follows:

	Preferred	6% Debenture	Common
New issue of 6% debenture stock sold		$30,000,000	
Issued for acquisition of new properties, etc.		6,450,000	$6,031,200
Issued account of conversion of General Motors preferred		2,714,000	
Cancelled in accordance with terms of conversion of 6% debenture stock	$2,714,000*		
Increase in outstanding	$2,714,000*	$39,164,000	$6,031,200

*decrease

INDEBTEDNESS

The Notes Payable of $6,812,318.68 shown on the Balance Sheet under Current Liabilities represent $4,074,118.68 borrowed by our subsidiaries and used in their operations, and the balance of $2,738,200.00 covers miscellaneous indebtedness assumed by the Corporation in the purchase of properties.

The other indebtedness of the Corporation on December 31, 1919, consisted of current accounts payable of $37,846,313.36 (composed wholly of obligations for merchandise, etc.) and $11,521,770.64 liabilities accrued but not due, for payrolls, ordinary taxes and other sundry items.

WORKING CAPITAL

The net working capital as shown by the Balance Sheet of December 31, 1919, amounted to $158,754,500.82. The following is a comparison of working capital at December 31, 1919, with that of 1918:—

	1919	1918
Current Assets:		
Cash in banks and on hand	$ 48,231,200.04	$ 30,636,621.48
United States Government Bonds	213,218.49	28,852,018.00
Marketable securities	989,448.36	172,304.86
Sight drafts against B-L attached	10,945,061.06	3,316,384.90
Due from U. S. Govt. on war contracts	304,334.80	7,305,626.76
Notes and accounts receivable	26,444,871.05	21,995,359.50
Inventories at cost or less	128,696,651.70	91,137,512.59
Total Current Assets	$ 215,824,785.50	$183,415,828.09
Less: Current and Accrued Liabilities:		
Current accounts payable	$ 37,846,313.36	$ 18,453,316.99
Notes payable	6,812,318.68	10,802,154.11
Taxes, payrolls and sundries accrued, not due	11,521,770.64	3,769,865.29
	$ 56,180,402.68	$ 33,025,336.39
	$159,644,382.82	$150,390,491.70
From which deduct amount reserved for two months' proportion of dividend on preferred and debenture stock, payable February 1	889,882.00	488,463.00
Net working capital	$158,754,500.82	$149,902,028.70

While it will be seen from the above that the net working capital has been increased during the year by $8,852,472.12, attention is called to the fact that the increase in net working capital, exclusive of United States Government Bonds, amounted to $37,491,271.63. The amount $28,852,018.00, invested in United States Government Bonds in 1918 and temporarily carried in working capital, was converted during 1919 into cash and the proceeds used for new construction, as was intended.

CAPITAL EXPENDITURES

Balance in real estate, plants and equipment at December 31, 1918, before deducting reserve for depreciation	$86,818,414.51
Addition through appraisal of properties exclusive of reserve for depreciation, per appraisal made by Manufacturers' Appraisal Co. (see appraisers' certificate on page 18)	29,888,896.13
Additions through purchase of properties	12,439,458.71
Expended during the year for real estate, plants and equipment	47,741,697.65
Balance in real estate, plants and equipment December 31, 1919	$176,888,467.00

GOOD-WILL, PATENTS, COPYRIGHTS, ETC.

Balance in this account December 31, 1918	$35,714,893.43
Additions through companies acquired during year	7,538,279.26
	$43,253,172.69
Less: Appreciation in real estate, plant and equipment through appraisal, applied to reduction of Good-Will, Patents, Copyrights, etc.	22,929,283.88
Balance in Good-Will, Patents, Copyrights, etc., December 31, 1919	$20,323,888.81

Note—The addition of $29,888,896.13 to real estate, plants and equipment, as the result of appraisal, is exclusive of $6,959,612.25, appraised depreciation applicable thereto, which ($6,959,612.25) has been added t reserve for depreciation. The net increase in present value is $22,929,283.88, which latter sum has been applied as a reduction of good will, patents, copyrights, etc.

General

The net sales of General Motors Corporation and subsidiary companies for the twelve months ended December 31, 1919, amounted to $509,676,694.80, as compared with $326,044,755.95 in 1918, an increase of $183,631,938.85, or 56.3%. The number of passenger cars, trucks and tractors sold was 406,158 as compared with 246,834 for the previous year, an increase of 64.5%.

The payrolls for the year 1919 aggregated $104,380,000. The number of employes in the service of the Corporation and its subsidiary companies as of December 31, 1919, was 85,980. This compares with 49,118 employes at the close of the preceding year.

The number of stockholders of the Corporation is in excess of 24,100, of whom 6,650 are employes of the Corporation, including its subsidiaries.

Expansion of Manufacturing Facilities

The expansion of manufacturing facilities at your plants, which was necessarily interrupted during the war, has been resumed. The more important projects during the year are stated briefly as follows:

Passenger Car, Truck and Tractor Plants

Buick Motor Division, Flint, Michigan.—During the year the capacity of this Division was increased from a production of 350 passenger cars per day during January to 500 per day during the last quarter. Construction now under way at Flint and St. Louis will bring the total productive capacity for Buick cars to more than 700 per day. The capital expenditure during 1919 was $5,018,660.88.

Cadillac Motor Car Division, Detroit, Michigan.—Construction was started on a new factory for the Cadillac Division early in 1919. Rapid progress is being made on this plant, which will embody the very best and latest ideas for economical manufacture, and when completed this factory will have a capacity of approximately 30,000 passenger cars per annum. New construction by this Division required $4,937,160.81 during the year. The rapidly growing business also required the erection of a new sales and service building in Detroit and a service building in Chicago.

Chevrolet Group.—During 1919, the productive capacity of the plants at Flint, Tarrytown, Fort Worth, and St. Louis was increased to 800 cars and trucks per day; additional construction under way will, when completed, permit the production of 900 passenger cars and 50 trucks per day. Capital expenditures by this Division during the year required $7,420,460.19.

General Motors Truck Division, Pontiac, Michigan.—Rearrangement of the plant in Pontiac and additions to present buildings will permit the production of 20,000 trucks per annum. Congestion at the Pontiac plant will be largely relieved by the establishment of an assembly plant in Eastern territory during 1920.

Oakland Motor Car Division, Pontiac, Michigan.—With the completion of new construction started in 1919 the capacity of this Division will be increased to 350 passenger cars per day. A number of new departments will be established, making the plant more nearly self-contained, and insuring uninterrupted supply of the principal units.

Olds Motor Works Division, Lansing, Michigan.— At a cost of $2,552,090.44, the capacity of the Olds Motor Works was increased to 300 passenger cars and trucks per day, and the plant put on a much more independent basis than it formerly enjoyed by the addition of facilities to manufacture some of the more important units formerly supplied by other Divisions.

Scripps-Booth Corporation, Detroit, Michigan.—This Company was recently removed to a modern factory where its product can be built under much more efficient conditions. The new facilities will make possible the production of 100 Scripps-Booth cars per day.

Samson Tractor Division, Janesville, Wisconsin.—Your Corporation has been proceeding actively with the manufacture of the Samson line of farm tractors, implements, and trucks. New facilities, which are practically complete, provide for the manufacture of 100,000 tractors per year.

Fisher Body Corporation Investment

Your Corporation was fortunate in assuring an enlarged supply of bodies through the acquisition of a majority interest in the Fisher Body Corporation, Detroit, Michigan, the largest builder of automobile bodies in the world. The Fisher Body Corporation is expanding its Detroit facilities, thereby assuring your Corporation an adequate supply of bodies, particularly of the closed type, demand for which is increasing rapidly.

The item "Notes Payable Account Fisher Body Corporation Stock Purchase," shown on the Balance Sheet, represents the balance due on account of this purchase and matures over a period of five years. The total cost ($27,600,000) of the above stock is included in Investments.

Farm and Home Lighting Systems

The acquisition of the Domestic Engineering Company, Dayton, Ohio, now known as the Delco-Light Company, adds a new line to the Corporation's activities--the manufacture of complete farm and home electric light and power plants. The enlargement of facilities now under way will give this Company approximately double its present capacity when completed.

Iceless Refrigerators

Early in the year your Corporation acquired the Guardian Frigerator Company, Detroit, Michigan, now known as the Frigidaire Corporation, which manufactures a line of mechanical domestic refrigerators. This Division is showing a healthy growth, and the desirability of its product assures a profitable future.

General Motors Export Company

The cessation of hostilities in Europe, after the production of motor cars for civilian purposes had been suspended for practically four years, provided an unusually active market, and the export business of your Corporation made notable strides during the year. A largely increased allotment of production for export has been made in order to more nearly meet the pressing foreign demand for your products.

General Motors Acceptance Corporation

Early in the year the General Motors Acceptance Corporation was organized to assist dealers in financing their purchase of General Motors' products, and also to finance, to some extent, retail sales. The gross business done by this Corporation in 1919 exceeded $20,000,000.00.

Housing Facilities for Employes

The extension of manufacturing facilities entailed a large increase in the number of employes, and at those points where it was impossible

to provide housing facilities to meet this increase by any other means, the Corporation erected a large number of houses, which were sold to employes at cost, less a liberal allowance in recognition of present inflated construction cost.

Administration Building

The rapid growth of your Corporation made it necessary to provide suitable executive quarters in Detroit. There was begun the construction of an office building which will furnish ample accommodations for the needs of the Corporation and its allied interests for many years. Up to December 31st, the sum of $4,219,313.24 had been expended on account of this project, and is shown in Investments.

Bonus Plan

Under the bonus plan adopted in 1918, there was awarded to 6,450 employes, 14,088 shares 7% debenture stock and 214,659 shares of no par value common stock.

Employes Savings and Investment Plan

During the year the Corporation established an Employes Savings Plan under which employes have the privilege of paying into an interest bearing Savings Fund a limited portion of their wage or salary. The amount so paid in by employes is duplicated by the Corporation paying a like amount into an Employes Investment Fund, which Fund is invested in securities selected by the Board of Directors. The principal and earnings of the Investment Fund are credited to employes over a period of years. While this plan was not fully in operation until the middle of 1919, there was a net amount in the Savings Fund of $2,099,283.61 at the end of the year. The amount paid by your Corporation into the Investment Fund was invested in 7,758 shares of $100 par value common stock of the Corporation. Out of the 62,297 employes eligible to participate in this plan, 33,641 have already taken advantage of its provisions.

Dividends

The preferred and debenture dividends have been paid during the year at the full rate of 6%. Regular dividends of 3% quarterly were also paid on the common stock during the year.

The Outlook

The year just closed, notwithstanding the difficulty experienced in securing certain materials and the shortage of freight cars for shipping your product, was the most successful in the history of the Corporation.

There is no diminution in the demand for your product, the number of passenger cars, trucks and tractors sold for the first quarter of 1920 to March 31st being 119,779, as compared with 82,456 for the corresponding period of the previous year, an increase of 45.2%. The net profits for this period, before deducting Federal Taxes, are estimated at upwards of $26,500,000.00.

Your directors take pleasure in acknowledging their high appreciation of the loyalty and efficiency of your officers and employes.

By order of the Board of Directors.

W. C. DURANT,

President.

Statement 1

Condensed Comparative Consolidated Balance Sheet of General Motors Corporation and Subsidiary Companies as of December 31, 1919 and 1918

Assets	December 31, 1919	December 31, 1918
Permanent Investment:		
Real estate, plants and equipment	$176,888,467.00	$ 86,818,414.51
Less: reserve for depreciation	23,084,824.58	10,061,983.38
	$153,803,642.42	$ 76,756,431.13
Investments in allied and accessories companies	$ 53,398,491.26	$ 2,839,531.23
Current and Working Assets:		
Cash in banks and on hand	$48,231,200.04	$ 30,636,621.48
United States Government Bonds	213,218.49	28,852,018.00
Marketable securities	989,448.36	172,304.86
Sight drafts against B-L attached	10,945,061.06	3,316,384.90
Due from United States Government on war contracts	304,334.80	7,305,626.76
Notes ($1,776,104.31 in 1919) and accounts receivable	26,444,871.05	21,995,359.50
Inventories at cost or less	128,696,651.70	91,137,512.59
Total Current and Working Assets	$215,824,785.50	$183,415,828.09
Deferred expenses	$ 3,301,712.82	$ 762,651.85
Good-will, patents, copyrights, etc.	$ 20,323,888.81	$ 35,714,893.43
Total	$446,652,520.81	$299,489,335.73

Liabilities	December 31, 1919	December 31, 1918
Capital Stock:		
Debenture stock (authorized $500,000,000) issued	$ 72,771,800.00	$ 30,756,300.00
Less: in treasury of General Motors Corporation	4,432,500.00	1,581,000.00
In hands of public	$ 68,339,300.00	$ 29,175,300.00
Preferred stock (authorized $20,000,000) issued	$ 16,957,000.00	$ 19,684,300.00
Less: in treasury of General Motors Corporation	——	13,300.00
In hands of public	$ 16,957,000.00	$ 19,671,000.00
Common stock (authorized $500,000,000) issued	$156,991,900.00	$151,301,100.00
Less: in treasury of General Motors Corporation	3,580,900.00	3,921,200.00
In hands of public	$153,411,000.00	$147,379,900.00
Total in hands of public	$238,707,300.00	$196,226,200.00
Bonus stock awarded	$ 7,848,570.00	——
Purchase Money Bonds	$ 150,000.00	$ 225,000.00
Notes payable, account Fisher Body Corp. stock purchase	$ 21,840,000.00	——
Outstanding Capital Stock and surplus of subsidiary companies, being the proportion not owned by General Motors Corporation:		
Capital Stock	$ 1,163,077.19	$ 2,960,400.83
Surplus	422,266.38	427,754.20
Total	$ 1,585,343.57	$ 3,388,155.03
Current Liabilities:		
Accounts payable	$ 37,846,313.36	$ 18,453,316.99
Notes payable	6,812,318.68	10,802,154.11
Taxes, pay rolls and sundries accrued not due	11,521,770.64	3,769,865.29
Total Current Liabilities	$ 56,180,402.68	$ 33,025,336.39
Reserves:		
For two months' proportion of Dividend on Preferred and Debenture stock, payable Feb. 1	$ 889,882.00	$ 488,463.00
For Federal taxes and extraordinary expenditures	36,262,472.70	25,863,823.23
For sundry contingencies	4,546,652.54	3,863,420.65
Total	$ 41,699,007.24	$ 30,215,706.88
Surplus	$ 78,641,897.32	$ 36,408,937.43
Total	$446,652,520.81	$299,489,335.73

Statement 2

Income Account

	Year Ended Dec. 31, 1919	Year Ended Dec. 31, 1918
Net profits for year after deducting all expenses of manufacture (including maintenance), selling and administration, as well as ordinary taxes, insurance, depreciation ($6,656,359.03 in 1919) of plant and equipment, employes' bonus stock, employes' investment fund and allowances to employes on houses	$90,517,519.38	$35,504,576.41
Less: Provision for Federal taxes and extraordinary expenditures	30,000,000.00	20,113,548.19
	$60,517,519.38	$15,391,028.22
General Motors Corporation proportion thereof	$60,005,484.49	$14,825,530.19
Preferred dividends for 12 months at rate of 6%	$ 1,032,376.00	$ 1,180,901.00
Debenture dividends for 12 months at rate of 6%	3,180,136.60	739,566.00
	$ 4,212,512.60	$ 1,920,467.00
Undivided profits	$55,792,971.89	$12,905,063.19

Statement 3

Profit and Loss Account

	Year Ended Dec. 31, 1919	Year Ended Dec. 31, 1918
Profit and Loss Surplus at the beginning of the year	$36,408,937.43	$11,508,392.57
Add undivided profits per Income Account above	55,792,971.89	12,905,063.19
Additions through acquisition of properties and other adjustments	3,764,529.00	23,232,791.67
	$95,966,438.32	$47,646,247.43
Less: Cash Dividends paid on common stock:		
February 1—3%	$ 4,431,438.00	$ 2,292,150.00
May 1—3%	4,028,001.00	2,292,567.00
August 1—3%	4,215,147.00	3,205,704.00
November 1—3%	4,649,955.00	3,446,889.00
	$17,324,541.00	$11,237,310.00
Profit and loss surplus December 31	$78,641,897.32	$36,408,937.43

Note—The net book value of real estate, plants and equipment was increased by $22,929,283.88 during the year, as the result of appraisals made, and good-will correspondently reduced. (See page 10 of report.)

CLEVELAND
NEW YORK
CHICAGO
PHILADELPHIA
ST. LOUIS
DETROIT

WALTER W. POLLOCK
PRES'T AND GENL. MGR.
CHARLES C. STRAWBRIDGE
VICE PRESIDENT
JOHN WEST
SEC'Y AND TREAS.

HOME OFFICE AT CLEVELAND
EXECUTIVE OFFICE AT PHILADELPHIA

Philadelphia, Pa., May 1, 1919.

GENERAL MOTORS CORPORATION,

Detroit, Michigan.

Gentlemen:

Pursuant to your request, we have appraised the real estate, plants and equipment of your Corporation, together with its subsidiaries, as of January 1, 1919, and do hereby certify that the values presented are in accordance with our findings.

Respectfully submitted,

MANUFACTURERS' APPRAISAL COMPANY

Walter W. Pollock

President

/s/ WALTER W. POLLOCK

3307

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

CABLE ADDRESS "HASKSELLS"

30 BROAD STREET

NEW YORK

NEW YORK
CHICAGO
DETROIT
SAINT LOUIS
BOSTON
CLEVELAND
BALTIMORE
PITTSBURGH

SAN FRANCISCO
LOS ANGELES
NEW ORLEANS
SEATTLE
DENVER
ATLANTA
WATERTOWN
LONDON

GENERAL MOTORS CORPORATION,

Detroit, Michigan.

We have audited your general accounts and those of your subsidiary manufacturing companies for the year ended December 31, 1919, and, subject to our not having examined the minutes of your governing bodies,

WE HEREBY CERTIFY that, in our opinion, the accompanying Condensed Consolidated Balance Sheet, December 31, 1919, and related Summaries of Income and Profit and Loss for the year ended that date, are correct.

HASKINS & SELLS.

New York,
April 6, 1920.

Government's Exhibit No. 140

March 19th, 1920.

To: FINANCE COMMITTEE
DU PONT COMPANY

FROM: J. J. RASKOB

The General Motors Corporation, in order to carry out a development program which has been reduced to the greatest degree possible without sacrificing its position in the industry, will need $60,000,000.00 of new capital. Due to the investment conditions existing in the world and particularly in this country it is felt impossible to raise this new capital through the sale of debenture stock and as the capital will be permanently required in the business it is felt that it should not be secured through the issue of short term notes so that it becomes necessary for the common stockholders to supply the money themselves or to interest new partners.

The development of the industry during the past four years has been such as to increase the assets employed from $58,000,000. in 1915 to $452,000,000. in 1919 an increase of approximately $400,000,000. in four years or at the rate of $100,000,000. per year. There is every reason to believe that there will be ample opportunity afforded for expansion at a very rapid rate during the next few years and this affords splendid opportunity to interest new partners without the present partners sacrificing anything. In other words if the present partners have $400,000,000. employed earning 30% and the industry can employ $60,000,000. additional which will also earn 30% then there is no sacrifice in having the $60,000,000. additional supplied by others provided they are satisfactory partners.

We are in the fortunate position of having Nobels keenly interested in the matter. Sir Harry McGowan is here now and we have discussed this situation very thoroughly with him with the result that we have tentatively suggested that the General Motors Corporation which has approximately $150,000,000. of common stock outstanding make an offer of 20% additional common stock to its stockholders aggregating $30,000,000. of new common stock to be issued at $200.00 per share thus supplying the $60,000,000. required. Of this $30,000,000. of new common stock the rights accruing to the duPont-Durant stockholdings will be approximately 60% or $18,000,000. par value which at $200.00 per share will cost $36,000,000.

Mr. Durant has consented to turn his rights over to Nobels provided duPont will do likewise with the understanding that Nobels will purchase the stock and hold it as an investment and not purchase it as a speculation.

My recommendation is that Finance Committee approve the principle enunciated herein and request the DuPont American Industries, Inc. to surrender its rights to Nobels provided this arrangement can be carried through.

There is attached hereto a memorandum showing how the price of $200.00 per share is justified as a proper price for a partnership basis.

/s/ J. J. Raskob

Note. At end of document are following signatures: P. S. du Pont, J. J. Raskob, OK Wm. Coyne, H. F. Brown and L du Pont. "Return to Room 9059" stamp on page 1 and "Return to Executive Committee Room 9069" stamp on both pages.

7/AL

			To Purchase a 10% interest Cost	Earnings		
6% Preferred and debenture stock		$ 75,000,000. -	$ 7,500,000. -	$450,000.		
7% Debenture Stock	-	25,000,000. -	2,500,000. -	175,000.		
Common Stock	-	153,750,000. -	15,375,000. -	4,612,500. if common earns 30%		
Total	-	253,750,000.				
Surplus 11/30	-	80,000,000.				
Contingent reserves	-	13,250,000.				
[illegible]mated earnings over divi-[illegible]s from December to May	-	40,000,000.				
[illegible]timated surplus 5/1/20	-	133,250,000.	13,325,000. -			

				% on Investment.	Comparative % on Investment in Common stock at 200
Totals	- 387,000,000.	38,700,000. -	5,237,500. =	13.6%	15%
If common stock earns 40%, add 10% or -		-	- 1,537,500. =	4.0	
		Total	- 6,775,000. =	17.6%	20%
If common stock earns 50%, add 10% or -		-	- 1,537,500. =	4.0	
		Total	- 8,312,500. =	21.6%	25%
If common stock earns 80%, add 30% or -		-	- 4,612,500. =	12.0%	
		Total	-$ 12,925,000. =	33.6%	40%

Government's Exhibit No. 141

MINUTES OF REGULAR QUARTERLY MEETING OF THE BOARD OF DIRECTORS OF DU PONT AMERICAN INDUSTRIES, INC. HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON WEDNESDAY, MAY 26TH. 1920 AT ELEVEN:THIRTY O'CLOCK A. M.

Present: Mr. P. S. duPont, in the Chair
Mr. E. G. Buckner,
Mr. C. L. Patterson,
Mr. Wm. Coyne,
Mr. H. F. Brown,
Mr. C. A. Patterson,
Mr. H. M. Pierce,
Mr. F. D. Brown,
Mr. J. P. Laffey,
Dr. C. L. Reese,
Mr. F. W. Pickard,
Mr. Lammot duPont,
Mr. Ireneé duPont.
Mr. F. G. Tallman,
Mr. H. G. Haskell,
Mr. R. R. M. Carpenter,
Mr. Eugene duPont,
Mr. Eugene E. duPont,
Mr. Alexis I. duPont.

The Chairman stated that the first business before the meeting was the election of officers for the ensuing year.

On motion duly seconded, the following officers of the Company were re-elected to serve for the balance of the year and until succeeded.

President: P. S. duPont.

Vice-Presidents:	Lammot duPont,
	H. F. duPont,
	Ireneé duPont,
	J. J. Raskob,
	Frank L. Connable,
	F. G. Tallman,
	Wm. Coyne.
Treasurer:	F. D. Brown.
Secretary:	Alexis I. duPont.
Asst. Secretary:	M. D. Fisher.

Minutes of previous meeting of the Board held on February 25th. 1920, were read and approved.

EXECUTIVE COMMITTEE REPORT:

Report was received from the Executive Committee covering action taken from February 23, 1920 to May 21, 1920, and on motion same was accepted and ordered filed.

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The following motion was offered and unanimously carried:

RESOLVED, that the action taken by the Executive Committee from February 23, 1920 to May 21, 1920, be approved, ratified and confirmed.

ASSIGNMENT OF RIGHTS TO SUBSCRIBE TO GENERAL MOTORS CORPORATION COMMON STOCK, TO THE EXPLOSIVES TRADES, LIMITED:

WHEREAS negotiations have been pending between some of the officers of this Company, the Chevrolet Motor Company, W.C.Durant and other large stockholders, and the General Motors Corporation (in which last named cor-

poration this Company, the Chevrolet Motor Company and W. C. Durant own collectively upwards of Fifty per cent of the common stock) relative to a situation confronting the General Motors Corporation, viz: The General Motors Corporation is in urgent need of approximately $65,000,000 additional capital for the purpose of carrying out an expansion of its business, commenced in the year 1919, and now in course of completion. An unsuccessful effort was recently made by the General Motors Corporation to raise the necessary additional capital to complete said expansion program by an issue of seven per cent debenture stock. Approximately $12,500,000 only of fresh capital was secured in this manner out of an offering of approximately $85,000,000. The officers of the General Motors Corporation have under consideration a pro rata offering to its common stockholders of an issue from its authorized but unissued common stock of no par value of 3,200,000 shares at the price of twenty dollars per share. In this situation and before making said offer, the officers of the General Motors Corporation have submitted to the officers of this Company, the officers of the Chevrolet Motor Company, W. C. Durant and other large stockholders, a proposition to the effect that this offer of common stock will be made only in the event that this Company, the Chevrolet Motor Company, W. C. Durant and other large stockholders, furnish it assurance that the pro rata share of the said issue coming to the afore-mentioned stockholders will be taken and paid for at the price aforesaid. Owing to the difficulty at this time of raising the money necessary to take up their pro rata share of this offering, amounting to approximately $9,758,532. for this Company and $22,291,-288. for the Chevrolet Company, the officers of the last

named companies have entered into negotiations with the officers of Explosives Trades, Limited, a corporation created and organized under the laws of Great Britain and Ireland, with a view to interesting Explosives Trades, Limited, et al, in the stock of the General Motors Corporation, which negotiations have resulted in a tentative proposition from Explosives Trades, Limited, to this Company and to other large stockholders to the effect that said Explosives Trades, Limited, will, in event General Motors Corporation makes said new offer of stock to its stockholders, take and pay for 1,800,000 shares, provided this Company, the Chevrolet Motor Company, W. C. Durant and other large stockholders will duly assign and transfer to it all rights received by them to subscribe for said new issue; and

WHEREAS in the judgment of the Board of Directors of this Company it is of vital interest to this Company as a large stockholder in the General Motors Corporation that the additional capital so required by the General Motors Corporation be obtained at the earliest possible date, to the end that construction operations now in process be not interrupted but that same be completed in accordance with the original program; and

WHEREAS in the judgment of the Board of Directors it will

—3—

be impossible for this Company at this time to raise the $9,758,532 necessarily required to take and pay for its pro rata share of said new stock; and

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WHEREAS it is the further judgment of the Board of Directors that a distribution of the rights to subscribe for said new issue of stock to the stockholders of E. I. duPont deNemours and Company, as well as an attempt to sell said rights, would result in the market being flooded with said rights, rendering the same salable, if at all, at little value, resulting in a depression of the market value of the stock to an extent which on account of the lapsing of many rights would jeopardize the financing plan, to the great injury of the General Motors Corporation and its business and to this Company as one of its largest stockholders; and

WHEREAS it is the further judgment of the Board of Directors that it is for the best interests of this Company to accept the proposition made by Explosives Trades, Limited, and to assign and transfer all rights of this Company to subscribe to said new issue of stock upon the express consideration and undertaking of Explosives Trades, Limited, to and with this Company that it will subscribe and pay for all stock to which it so acquires the right to subscribe, as hereinbefore stated;

THEREFORE, all the premises being considered, IT IS RESOLVED that the officers of this Company be and they hereby are authorized and directed to accept the said offer of Explosives Trades, Limited, and to assign and transfer to Explosives Trades, Limited, or its nominees, as and when received, all rights of this Company to subscribe for approximately 487,926 & .6 shares of the said new issue of the no par value common stock of the General Motors Corporation; and

BE IT FURTHER RESOLVED that the officers of this Company be and they hereby are authorized and directed to make

and enter into on behalf of this Company and in its name an agreement between this Company and Explosives Trades, Limited, covering the acquisition by it of this Company's rights to subscribe for stock in said new issue and its obligation to exercise said rights and pay for the stock as provided therein.

On motion, the meeting was adjourned.

OK form
J. P. L.

Alexis I. duPont.
Secretary.

NOTE: "GMC-453" appears in the lower right-hand corner of each page. Italics indicate handwriting.

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Government's Exhibit No. 142

GENERAL MOTORS CORPORATION
Meeting of Finance Committee
New York City

June 2, 1920

PRESENT: J. J. Raskob, Chairman
P. S. duPont
W. C. Durant
J. A. Haskell
Irenee duPont

* * *

SALE OF ADDITIONAL COMMON STOCK:

Reports were received from the Chairman dated May 26th, 1920 (#199) and April 10th, 1920 (#179), (the latter report having been laid on the table at meeting held on April 15th, 1920) advising that it has become necessary to provide additional funds if we are to carry out the program contemplated in the forecast for twelve months ending January 31st, 1921, which indicates a cash deficit of approximately $9,000,000.00, and recommending, in order to provide said funds, the authorization of an issuance of approximately 3,200,000 shares of new common stock to be offered to the present common stockholders at $20. per share, in amount equal to twenty per cent. of their present holdings. The committee was further advised that the officers of the company have been negotiating with J. P. Morgan & Company, Explosives Trades, Ltd. and Canadian Explosives,

—2—

Ltd. with a view to interesting them as partners in the Gen-

eral Motors Corporation, with successful result under the following arrangement:

The General Motors Corporation to authorize an issue of approximately 3,200,000 shares of new stock (being twenty per cent. of present outstanding stock) to be offered to stockholders at $20. per share.

The Chevrolet Motor Company, duPont Company, Mr. W. C. Durant and others have agreed to surrender their subscription rights which has made it possible for us to interest Explosives Trades Limited of London, England and some of their English friends to the extent of 1,500,000 shares; the Canadian Explosives Limited and some of its friends to the extent of 300,000 shares and J. P. Morgan & Company to the extent of 600,000 shares.

J. P. Morgan & Company agree to form a syndicate for the purpose of giving wide distribution to our common stock, in consideration of which we are to pay them a fee of $600,000.00. J. P. Morgan & Company will take a substantial interest in this distributing syndicate and will underwrite that portion of the offering not subscribed for by Explosives Trades Limited and Canadian Explosives Limited.

The name of J. P. Morgan & Company will be back of the offering.

In the arrangement we secure two English directors, viz. Sir Harry McGowan, Chairman of the Board, and Arthur Chamberlain, member of the Board of Directors of Explosives Trades Limited, and William McMaster, President of Canadian Explosives Limited. In addition,

we have secured as directors the following: Edward R. Stettinius of J. P. Morgan & Company, George F. Baker, Jr., Vice President, First National

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Bank, New York, Seward Prosser, President, Bankers Trust Company, New York, William H. Woodin, President, American Car & Foundry Company, C. M. Woolley, President, American Radiator Company, and Owen D. Young, Vice President, General Electric Company.

After a full discussion, the following resolutions were offered, and upon motion, unanimously adopted:

RESOLVED, that the above mentioned reports be accepted and ordered filed and that the action taken by the officers of this corporation in effecting the arrangement as outlined above, be and the same is hereby approved, ratified and confirmed, and

FURTHER RESOLVED, that the Finance Committee recommend to the Board of Directors an offering of common stock without par value, to common stockholders of record at the close of business on June 12th, 1920, to the extent of twenty per cent. of their holdings, at the price of $20. a share, and

FURTHER RESOLVED, that the Finance Committee recommend to the Board of Directors that an agreement be made between General Motors Corporation and J. P. Morgan & Company for the underwriting of said issue in accordance with the terms of a proposed letter, dated June 2nd, 1920, submitted to the meeting, as follows:

3320

June 2nd, 1920.

Messrs. J. P. Morgan & Company,
No. 23 Wall Street,
New York.

Dear Sirs:

To provide the additional working capital required for the increasing business of General Motors Corporation, the Board of Directors has resolved that of the authorized and

—4—

unissued common stock of the Corporation there shall be offered to the holders of its common stock at the close of business on June 12th, 1920, the right to subscribe for new common stock without par value, at the price of $20 per share, to the extent of 20% of the holdings of such common stock by such stockholders. The aggregate number of shares so to be offered to stockholders is 3,219,856 shares. The terms and conditions of such offer to such stockholders appear more fully in the proposed circular letter addressed to them by the Secretary, of which a copy is hereto attached, marked schedule A.

Arrangements have been made by which Explosives Trades Ltd., of London, England, will subscribe for or cause to be subscribed for 1,800,000 shares of the new common stock. The Corporation being thus assured of subscriptions for said 1,800,000 shares of the new common stock, now desires to have underwritten the subscription for the remaining 1,419,856 shares of stock (hereinafter called the "underwritten stock") to be offered to the stockholders.

Accordingly, pursuant to the authority of the Board of Directors and confirming our various conversations, you

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are requested by the Corporation to underwrite the subscription for the said stock, and to take or guarantee to sell, at the price of $20 per share, such amount of said stock as may not be subscribed for by the stockholders on or before July 7th, 1920. The Corporation will notify you on or before July 12th, 1920, of the amount of such stock which shall not have been so subscribed for, and thereupon payment of the whole or of 10% of the subscribption price, as you shall elect, shall be made on or before July 15, 1920.

The Corporation will issue as of July 15th, 1920, any of such stock so paid for in full on or before July 15th, 1920; and as to any of such stock upon which 10% shall have been paid on or before July 15th, 1920, the Corporation will issue the subscription receipts described in Schedule A hereto attached, as issuable to stockholders who shall have paid 10% of the subscription price upon making their subscription.

In consideration of such undertaking on your part and the performance thereof, the Corporation agrees with you as follows:

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A. As compensation for your services in underwriting the issue and in forming and managing a Syndicate to purchase and/or distribute so much of the stock as is not subscribed for by the stockholders, the Corporation will pay to you (1) for your own account the sum of $600,000., and (2) the sum of $1,419,856. (being $1 per share for each share underwritten), to be allowed to the Syndicate as compensation for the commitment of the participants therein. The entire amount of such compensation shall be payable and be paid to you by the Corporation on July 16th, 1920.

B. In case you desire to increase your holdings, the Corporation agrees to sell and deliver to you for your own account, on or before July 31st, 1920, out of the shares of its common stock of no par value, from its treasury, all or any part of 445,000 shares at the price of $20 a share. Such agreement to sell shall be open for acceptance by you on or before July 31st, 1920.

It is also understood by the Corporation that as a further inducement to you to assume the undertaking herein proposed, you shall be at liberty, for your own account, to enter into any and all contracts or arrangements with any one or more stockholders of the Corporation to acquire from such stockholders stock or other interests in the Corporation.

If by July 31st, 1920, the Corporation shall be unable to issue to your order the common stock deliverable as above provided, then at your option, to be exercised in writing at any time after said date and before the Corporation shall have tendered to you certificates for such common stock, the Syndicate and yourselves may withdraw from your obligations hereunder.

General Motors Corporation

By W. C. Durant
President."

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AMENDMENT OF BY-LAWS TO PROVIDE FOR ADDITIONAL DIRECTORS:

The following resolution was offered, and upon motion, unanimously adopted:

RESOLVED, that this committee recommend to the Board of Directors that the by-laws of this corporation be amended to provide for six additional directors, making a total of twenty-eight instead of the present number of twenty-two.

* * *

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Government's Exhibit No. 143

Copy to Hot Springs, Va.

May 21, 1920

Mr. John J. Raskob,
c/o General Motors Corp.,
1764 Broadway,
New York City.

Dear John:–

Lammot and Don talked to me today about the General Motors underwriting and Lammot said you would like to have any criticism of the plan they showed that might occur to me and approval of such points as I agreed on.

Specifically, I think that 1% on the $64,000,000 of the new issue paid as a commission to Morgan is O.K. and not unreasonable, especially if they assume the responsibility of the underwriting which to my mind an underwriting carries with it.

The sale of 600,000 shares of stock for $10,000,000 to Morgan & Co. as scheduled, I think, is basicly sound and proper with the exception that it does not seem quite O.K. to have DuPont sell a block of it at $20; At the same time the Finance Committee of the General Motors Co. controlled by DuPont, selling a block at $10.

I would suggest that in lieu of DuPont selling a block at $20 that Morgan absorb for themselves from the unsubscribed rights a like amount at $20 and have DuPont agree that should there not be sufficient rights available for that purpose, they would make up the deficit by selling stock at $20.

3325

As regards the commission of 5% for distributing stock other than that absorbed by Nobel and by Morgan, included in the $10,000,000: This seems rather high but I believe is warranted if Morgan assumes the responsibility of the transaction and does not call on DuPont to take up any losses which might occur by failure of a brokerage firm participating.

After all, the bulk of the amount paid Morgan as recited above, comes from the reduced price on the block of stock sold by General Motors. If that transaction is legal, it is all right, for I believe the benefits accruing to General Motors is worth the cost.

If there is anything not clear in this short summary I will be in Wilmington on Monday and you can call me on the phone.

Very truly yours,

Irénée du Pont

Copy to—Mr. Lammot du Pont

NOTE: "File Copy" is printed across each page and 38 is written at the top of the first page. "Gmc-864" appears in the lower right hand corner of each page.

Government's Exhibit No. 144

July 16th, 1920.

Edward R. Stettinius, Esquire,
J. P. Morgan & Company,
23 Wall St., New York City.

My dear Mr. Stettinius:

I fail to express to you in words my deep appreciation of your interest in General Motors affairs and the satisfaction that comes to us in knowing that our views of the motor industry are supported by the house of Morgan and your associates. The industry has assumed such large proportions that I have felt for a long time the necessity for having our group more closely connected with large interests, in order that harmonious action should be insured. We wish you and the other new directors to feel that General Motors is an open book to you; that all questions will be considered by all of us; that no criticism or suggestion will be received in an unfriendly way; and that we look forward to a continuation of the entire harmony that has existed in the duPont and General Motors group for many years.

With best wishes for the success of our mutual interests, I remain

Sincerely yours,

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NOTE: "624", "FAM", "RTE" and one set of illegible initials are written at the top. "P S du Pont" is printed across each page. "GMC-792a" appears in the lower right-hand corner of this page.

Government's Exhibit No. 145 3327

23 Wall Street
New York

July 20, 1920.

Mr. Pierre S. duPont,
Wilmington, Delaware.

My dear Mr. duPont,

I appreciate sincerely your very cordial letter of the 16th. We too look forward with pleasure to a more intimate association in General Motors with you and your colleagues and we all hope and believe that the results of our combined efforts will be satisfactory to all of us. I need not tell you that however attractive General Motors may have been to us, it would not have received the support we have given it had it not been for your active connection with and interest in the Company.

With all good wishes, and hoping that you will never fail to call upon me and my associates at any time when we can serve the cause, I am

Yours sincerely,
Edward Stettinius

November 22, 1920.

To DU PONT SECURITIES COMPANY

Dear Sirs:

The undersigned hereby accept your offer of this date in reference to the lending to your Corporation by the undersigned of certain shares of common stock (without par value) of General Motors Corporation, and to the purchase or underwriting of not exceeding $20,000,000 principal amount of your One-Year Secured 8% Bonds.

The undersigned beg to advise you that they have arranged with Messrs. J. P. Morgan & Co. for account of a Syndicate of purchasers, to purchase such of the said amount of your Bonds as your Corporation shall issue, and to pay therefor in cash the principal amount plus any accrued interest. You will please deliver the Bonds to J.P.Morgan & Co. at their office.

You are also requested to issue to J.P.Morgan & Co. or their nominees 20,000 shares of your common stock out of the 60,000 shares of such stock issuable to the undersigned for the considerations stated in your said offer.

Yours very truly,

Du Pont American Industries Inc.
Irénée du Pont Presit.

General Motors Co
[illegible] V.P

Inc-440

Government's Exhibit No. 154

AGREEMENT made as of the 22nd day of November, 1920, by and between

DU PONT SECURITIES COMPANY, a corporation of the State of Delaware, hereinafter called the Securities Company, party of the first part;

W. C. DURANT, of Deal, New Jersey, hereinafter called the Seller, party of the second part; and

DU PONT AMERICAN INDUSTRIES, INC. and CHEVROLET MOTOR COMPANY, hereinafter called collectively the Lenders, party of the third part.

WHEREAS, under date of November 22, 1920, the Seller entered into an agreement with the Securities Company whereby he agreed to assign and transfer or to cause to be assigned and transferred to the Securities Company 2,546,548-29/40 shares of the common stock (without par value) of the General Motors Corporation, in consideration of the payment by the Securities Company of the sum of $9.50 in cash for each and every share delivered under said contract and the issue by the Securities Company of 40,000 shares of the common stock of the Securities Company; and

WHEREAS, under date of November 22, 1920, the Lenders entered into an agreement (evidenced by the communication to them from the Securities Company and their acceptance of the proposition therein set forth) whereby they severally, in proportions in said agreement specified, agreed to lend to the Securities Company not exceeding in the aggregate 1,340,000 shares of such common stock (without par value) of the said General Motors Corporation with authority to pledge such shares as in said

—2—

agreement stated, and further agreed to cause to be pur-

chased $20,000,000. principal amount of the One-Year Secured 8% Bonds of the Securities Company as in said agreement specified in consideration of the issue to them in the said proportions in said agreement stated of 60% of the common stock of the Securities Company, and

WHEREAS, there have been delivered under the said agreement with the Seller 2,504,273-29/40 shares of said common stock of the General Motors Corporation, on account of which there has been paid the sum of $9.50 per share, aggregating $23,790,600.40, and the Lenders have

(W.C.D.)
J.J.R.

the Securities

agreed to lend to ~~this~~ Company, in the several proportions stated in their agreement aforesaid 1,373,631-11/40 (instead of 1,340,000) shares of said common stock of the General Motors Corporation without additional consideration passing to the Lenders from the Securities Company; and

WHEREAS, the Lenders as the original subscribers for all of the preferred stock of the Securities Company, and the Seller and the Lenders, as the persons originally entitled to receive all of the common stock of the Securities Company under their said agreements, have agreed that said agreement between the Seller and the Securities Company and the said agreement between the Lenders and the Securities Company shall be amended as in this agreement set forth, and the Securities Company is willing to assent to the amendments of the said agreements in order that it may have the aggregate amount of stock necessary

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to enable it to carry out the plan for the purposes of which the Securities Company was formed:

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NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

(W.C.D.) J.J.R.

That in consideration of the premises and of the advantages to accrue to the Securities Company in enabling it to carry out the plan for the purposes for which it was organized, and accordingly of the benefit and advantage to accrue to the *Seller* and the Lenders as persons originally subscribing for or entitled to receive all of the capital stock of the Securities Company, and of the mutual agreements of the parties herein contained, it is agreed by and between the several parties hereto as follows, viz:

FIRST. The said agreement between the Seller and the Securities Company dated November 22, 1920, ~~is hereby~~ amended so that the number of shares of said common stock of the General Motors Corporation which the Seller is therein obligated to assign and transfer, or cause to be assigned and transferred, shall be reduced from 2,546,548-29/40 shares to 2,504,273-29/40 shares; and that as so amended the said agreement be and the same hereby is confirmed.

SECOND. The said agreement between the Lenders and the Securities Company dated November 22, 1920, is hereby amended so that the aggregate number of the shares of said common stock of the General Motors Corporation to be loaned to the Securities Company by the Lenders, for the purposes and in the several proportions in said agreement stated, shall be increased from 1,340,000 shares to 1,373,631-11/40 shares, and that as so amended said agreement be and the same hereby is confirmed.

(W.C.D.) J.J.R.

THIRD. The Securities Company agrees to reissue the said 40% of its common stock to the *Seller*, and the said 60% of its common stock to the Lenders, respectively, at issue prices which shall make the same conform to the reduced number of shares delivered by the Purchaser and the increased number of shares lent by the Lenders.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

DU PONT SECURITIES COMPANY

By /s/ PIERRE S. DU PONT
President

Attest:

/s/ J. J. RASKOB
Secretary

W. C. DURANT (L. S.)

[SEAL]

DU PONT AMERICAN INDUSTRIES, INC.

By /s/ IRENEE DU PONT
Vice President

Attest:

/s/ ALEXIS I. DU PONT
Secretary

[SEAL]

CHEVROLET MOTOR COMPANY

By /s/ J. J. RASKOB
Vice President

Attest:

/s/ J. T. SMITH
Secretary

[SEAL]

THIS AGREEMENT made this 22nd day of November, 1920, by and between

W. C. DURANT of Deal, New Jersey, hereinafter called the Seller, party of the first part; and

DU PONT SECURITIES CORPORATION, a corporation of Delaware, hereinafter called the Purchaser, party of the second part.

WHEREAS, the Seller *and another, severally, are* ~~is~~ the owners of 2,546,548 29/40 shares of the common stock of no par value of General Motors Corporation, a corporation of the State of Delaware, and desire~~s~~ to sell the same to the Purchaser, and the Purchaser desires to purchase such stock, upon and for the considerations hereinafter stated; and

WHEREAS, the Purchaser has an authorized capital stock of which 100,000 shares are common stock without par value or voting power, and the remaining authorized shares are cumulative 8% preferred stock of the par value of $100 per share, (entitled to preferential dividends at the rate of 8% per annum and upon liquidation to the payment of the par value thereof and unpaid dividends, before any dividends or any payments upon liquidation shall be made on the common stock) of which 70,000 shares are presently to be issued.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That in consideration of the sum of one dollar by each of the parties hereto to the other in hand paid, the receipt whereof is hereby acknowledged, and of the mutual agreements hereinafter set forth, the parties hereto have agreed and hereby do agree as follows, to wit:

or will cause to be assigned and transferred

1. The Seller hereby assigns and transfers to the Purchaser 2,546,548 29/40 shares of the common stock (without par value) of General Motors Corporation, and will deliver, or cause to be delivered, to the Purchaser at the office of J. P. Morgan & Co., on or before December 10, 1920, certificates of such stock, duly assigned in blank for transfer.

2. The Purchaser shall make payment for the said shares of the General

—2—

Motors Corporation assigned, transferred and delivered as aforesaid, as follows:

(a) By the payment in cash of a sum equal to $9.50 for each and every share so delivered, upon the delivery of certificates of such stock as hereinabove provided;

(b) By the issue to the Seller, or upon his order, ~~but to be held in escrow as hereinafter provided~~, of 40,000 shares (being 40% of the authorized issue) of the common stock (without par value) of the Purchaser; such issue of such stock to be made in due course upon the completion of the delivery of the shares of stock of the General Motors Corporation sold to the Purchaser ~~by the Seller~~ as provided in Article First of this agreement.

In witness whereof the parties execute and deliver this agreement at New York City, the day and year first above written.

/s/ W. C. Durant L. S.
du Pont Securities Corporation
By /s/ Pierre S du Pont

Note. Italics indicate handwritten entries. All cross outs have been made by hand.

November 22, 1920.

To Du Pont American Industries, Inc. and
Chevrolet Motors Company.

Dear Sirs:

Referring to the Plan for the acquisition by this Corporation of certain shares of the common stock (without par value) of the General Motors Corporation, with which Plan you are familiar, the undersigned Corporation will issue to you 60% of its authorized common stock without par value or voting power, in the relative amounts to you hereinafter stated, for the following considerations:

1. The loan by you to this Corporation of such General Motors Corporation common stock in several amounts not exceeding in the aggregate 1,340,000 shares; such shares to be pledged by the Corporation with Bankers Trust Company, Trustee, under the Indenture referred to in said Plan (such Indenture to be substantially in the form of which a copy is hereto attached), as part of the security for an issue of One-Year Secured 8% Bonds of the Corporation for a principal amount not exceeding $20,000,000; the stock so pledged to be subject to all the provisions of said Indenture for the enforcement thereof or otherwise, but pending any default as set forth in said Indenture, you to be entitled to receive any and all cash dividends on such stock from time to time as received according to your respective interests, and any and all stock dividends, together with the stock loaned as aforesaid, to be returned to you upon the satisfaction of the Indenture.

2. An undertaking on your part to cause $20,000,000 of

—2—

the said bonds of the Corporation, or such lesser amount as the Corporation shall issue, to be purchased, or the sale thereof to be underwritten, at the par value plus any accrued interest.

We understand that your relative participations in the transaction herein proposed are as follows:

Du Pont American Industries, Inc.	60%
Chevrolet Motors Company	40%

Yours very truly,

Du Pont Securities Company
By /s/ George H. Gardiner
Vice President.

Note. At top of page 1 is written "(Original)"

Government's Exhibit No. 155

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DU PONT SECURITIES COMPANY

Board of Directors.

******

The first meeting of the Board of Directors of Du Pont Securities Company was held at No. 23 Wall Street, in the Borough of Manhattan, City and State of New York, on November 22, 1920, at 3: o'clock P. M.

Present: Messrs. Pierre S. duPont, Dwight W. Morrow and Edward R. Stettinius, constituting the whole Board of Directors.

Mr. duPont was chosen temporary chairman and Mr. John J. Raskob acted as temporary secretary of the meeting.

Mr. Stettinius presented his resignation as a director of the Company, and Mr. John J. Raskob was duly elected a director in his stead and thereupon appeared and took his place as such.

Mr. Morrow then presented his resignation as a director of the Company and Mr. George H. Gardiner was thereupon elected as director in his place and thereupon took his place as such.

The minutes of the first meeting of the incorporators were read and approved.

The following persons were named for officers of the Company to serve until their respective successors are chosen and qualify:

President: Pierre S. duPont

Vice President: George H. Gardiner

Secretary and Treasurer: John J. Raskob

Assistant Secretary and
Assistant Treasurer: Graham Ashmead.

A ballot having been duly had and all the directors present having noted, the Chairman announced that the aforesaid persons had been unanimously elected to the offices specified respectively.

The Secretary thereupon subscribed and swore to the oath of office and

entered upon the discharge of his duties.

The by-laws of the Company as adopted at the first meeting of the incorporators held this day, were presented to the meeting. Upon motion duly made, seconded and carried, it was unanimously

RESOLVED, that the by-laws now submitted to the meeting be and they hereby are approved and adopted, as and for the by-laws of this Company.

On motion duly made, seconded and carried it was

RESOLVED, that the Vice President be and hereby he is authorized to prepare and arrange for the printing of proper certificates of the preferred stock and common stock of the Company.

On motion duly made, seconded and carried it was

RESOLVED, that the seal, an impression of which is herewith affixed, be adopted as the corporate seal of the Company.

The Secretary was authorized and directed to procure the proper corporate books.

On motion duly made, seconded and carried, it was

RESOLVED, that the Treasurer of this Du Pont Securities Company be and hereby he is authorized to open a bank account in behalf of the Company with Messrs. J. P. Morgan & Co. and with Bankers Trust Company; and further

RESOLVED, that until otherwise ordered, each of such depositaries be and hereby is authorized to make payments from the funds of this Company on deposit with it upon and according to the check of this Company signed by any two of the following persons:

Pierre S. duPont
John J. Raskob
George H. Gardiner
Walter H. Wilson
C. D. Hartman, Jr.

Upon motion duly made, seconded and carried, it was

RESOLVED, that Irenee duPont be and hereby he is appointed the agent of this Company, in charge of the principal office in Delaware and of the books required by law to be kept in that office, and the agent upon whom process against this Company may be served in accordance with the laws of Delaware.

The President reported that Du Pont American Industries, Inc. and the

Chevrolet Motor Company would subscribe, or cause to be subscribed for, at par payable in cash, 69,980 shares (being the authorised issue less the 20 shares subscribed for by the incorporators) of the Cumulative 8% Preferred Stock of the Company and stated that it was in order for the Board to authorise the acceptance of such subscriptions and the issue of such stock upon payment therefor.

Thereupon the following resolutions were unanimously adopted:

> RESOLVED, that the proper officers of this Du Pont Securities Company be and hereby they are authorised to receive from Du Pont American Industries, Inc., and the Chevrolet Motor Company, or from subscribers obtained by them, subscriptions at par in cash for 69,980 shares of the Cumulative 8% Preferred Stock of this Company; and that this Company issue such preferred stock to such subscribers severally and respectively for the amounts subscribed for by each, upon receiving payment of the subscription price.

The President then laid before the Board the following instruments which had been prepared to accomplish the purposes for which this Company was organised:

(1) A communication from this Company to Du Pont American Industries, Inc. and Chevrolet Motor Company, whereunder this Company is to issue 60,000 shares, being 60% of its authorised common stock for the considerations specified in said communication;

(2) Agreement between W. C. Durant and this Company whereunder this Company purchases 2,546,548-29/40 shares of the common stock (without par value) of the General Motors Corporation for the considerations therein mentioned;

(3) Form of Collateral Indenture, dated November 22, 1920, between this Company and Bankers Trust Company, Trustee, securing an authorized issue of $20,000,000 One-Year Secured 8% Gold Bonds of the Corporation and pledging thereunder shares of common stock (without par value) of the General Motors Corporation as therein provided;

(4) Form of temporary Bond to be issued by this Corporation pending the preparation of the definitive Bonds issuable under said Indenture.

The President requested the action of the Board on the proposed agreement

first submitted by him.

Thereupon on motion, the following resolutions were adopted by the affirmative vote of all the Directors:

RESOLVED, that this Du Pont Securities Company enter into an agreement with Du Pont American Industries Company and Chevrolet Motor Company, to be evidenced by an offer in writing addressed to them in the following form, and their acceptance of such offer, viz:

" THIS AGREEMENT made this 22nd day of November, 1920, by and between

W. C. DURANT of Deal, New Jersey, hereinafter called the Seller, party of the first part; and

DU PONT SECURITIES COMPANY, a corporation of Delaware, hereinafter called the Purchaser, party of the second part.

WHEREAS, the Seller and another, severally are the owners of 2,546,548-29/40 shares of the common stock of no par value of General Motors Corporation, a corporation of the State of Delaware, and desire to sell the same to the Purchaser, and the Purchaser desires to purchase such stock, upon and for the considerations hereinafter stated; and

WHEREAS, the Purchaser has an authorized capital stock of which 100,000 shares are common stock without par value or voting power, and the remaining authorized shares are cumulative 8% preferred stock of the par value of $100 per share, (entitled to preferential dividends at the rate of 8% per annum and upon liquidation to the payment of the par value thereof and unpaid dividends, before any dividends or any payments upon liquidation shall be made on the common stock) of which 70,000 shares are presently to be issued.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That in consideration of the sum of one dollar by each of the parties hereto to the other in hand paid, the receipt whereof is hereby acknowledged, and of the mutual agreements hereinafter set forth, the parties hereto have agreed and hereby do agree as follows, to wit:

1. The Seller hereby assigns and transfers or will cause to be assigned and transferred to the Purchaser 2,546,548-29/40 shares of the common stock (without par value) of General Motors Corporation, and will deliver or cause to be delivered, to the Purchaser at the office of J. P. Morgan & Co. on or before December 10, 1920, certificates of such stock, duly assigned in blank for transfer.

2. The Purchaser shall make payment for the said shares of the General Motors Corporation assigned, transferred and delivered as aforesaid, as follows:

" (a) By the payment in cash of a sum equal to $9.50 for each and every share so delivered, upon the delivery of certificates of such stock as hereinabove provided;

(b) By the issue to the Seller, or upon his order, of 40,000 shares (being 40% of the authorized issue) of the common stock (without par value) of the Purchaser; such issue of such stock to be made in due course upon the completion of the delivery of the shares of stock of the General Motors Corporation sold to the Purchaser as provided in Article First of this Agreement.

IN WITNESS WHEREOF, the parties execute and deliver this agreement at New York City, the day and year first above written.

_______________________________ L.S.

DU PONT SECURITIES COMPANY

By "

(2) RESOLVED, that in the judgment of the Board of Directors the consideration for which this Company in said communication offers to issue 60,000 shares of its common stock is necessary for the business and purposes of this Company and is a good and sufficient consideration for the shares of common stock of this Company to be issued in payment therefor.

The Board then took a recess. The meeting having reconvened, the President presented a communication from the Du Pont American Industries, Inc., and Chevrolet Motor Company accepting the said offer of this Company authorized at this meeting, and advising this Company that in performance of their undertaking in the premises contained in the agreement constituted by said offer and acceptance, they had arranged with Messrs. J. P. Morgan & Co. in behalf of a Syndicate of purchasers formed by them to purchase such principal amount (not exceeding $20,000,000) of the said One-Year Secured 8% Bonds of this Company authorized at this meeting as the Company shall issue, and to pay therefor the principal amount (plus any accrued interest) of the Bonds issued and delivered.

Thereupon the following resolution was adopted by the affirmative vote of all of the Directors:

(3) RESOLVED, that in performance of its obligation in the premises, this Du Pont Securities Company issue 60,000 shares of its

common stock for the consideration of $10 per share, and of the aggregate consideration of $600,000, the said amount being not less than the value in the judgment of the Board of Directors of the consideration receivable by this Company therefor as set forth in the accepted offer of this Company to Du Pont American Industries, Inc., and Chevrolet Motor Company authorized at this meeting, and that certificates of such stock be issued to or in the names of the nominees of the persons entitled to said stock pursuant to said offer and acceptance..

(4) RESOLVED, that this Company sell and deliver to J. P. Morgan & Co. for account of a Syndicate formed by them, such principal amount, not exceeding the $20,000,000 principal amount authorized, as this Company shall issue of the One-Year Secured 8% Bonds of this Company referred to in the aforesaid offer and acceptance, for a consideration, to be received by this Company and to be paid by the purchasers, in cash, equal in amount to the principal amount of the Bonds issued and delivered plus any accrued interest.

The President thereupon invited the action of the Board upon the contract with W. C. Durant which had been submitted to this meeting.

Thereupon, on motion, the following resolutions were adopted by the affirmative vote of all of the Directors.

(5) RESOLVED, that this Du Pont Securities Company enter into an agreement with W. C. Durant for the purchase from him by this Company of 2,546,548-29/40 shares (without par value) of the common stock of General Motors Corporation, in consideration of (a) the payment by this Company in cash of $9.50 for each and every share delivered, and (b) the issue of 40,000 shares (being 40% of the authorized issue) of the common stock of this Company, such agreement to be substantially in the following form:

" November 22, 1920.

To DU PONT AMERICAN INDUSTRIES, INC. and
CHEVROLET MOTOR COMPANY.

Dear Sirs:

Referring to the Plan for the acquisition by this Corporation of certain shares of the common stock (without par value) of the General Motors Corporation, with which Plan you are familiar, the undersigned Corporation will issue to you 60% of its authorized common stock without par value or voting power, in the relative amounts to you hereinafter stated, for the following considerations:

1. The loan by you to this Corporation of such General Motors Corporation common stock in several amounts not exceeding in the aggregate 1,340,000 shares; such shares to be pledged by the Corporation with Bankers Trust Company, Trustee, under the Indenture referred to in said Plan (such Indenture to be substantially in the form of which a copy is hereto attached, as part of the

"security for an issue of One-Year Secured 6% Bonds of the Corporation for a principal amount not exceeding $20,000,000; the stock so pledged to be subject to all the provisions of said Indenture for the enforcement thereof or otherwise, but pending any default as set forth in said Indenture, you to be entitled to receive any and all cash dividends on such stock from time to time as received according to your respective interests, and any and all stock dividends, together with the stock loaned as aforesaid, to be returned to you upon the satisfaction of the Indenture.

2. An undertaking on your part to cause $20,000,000 of the said bonds of the Corporation, or such lesser amount as the Corporation shall issue, to be purchased, or the sale thereof to be underwritten, at the par value plus any accrued interest.

We understand that your relative participations in the transaction herein proposed are as follows:

Du Pont American Industries, Inc.	60%
Chevrolet Motor Company	40%

Yours very truly,

DU PONT SECURITIES COMPANY

By

Vice President."

(Copy of Indenture Annexed)

(6) RESOLVED, that any previous execution of said Agreement in behalf of this Company be and hereby the same is adopted, ratified and confirmed.

(7) RESOLVED, that in the judgment of the Board of Directors the acquisition of said stock is necessary for the business of this Company and is a good and sufficient consideration for the shares of common stock of this Company to be issued in part payment therefor.

(8) RESOLVED, that in performance of its obligation in the premises, this Company issue 40,000 shares of its common stock for the consideration of $383 per share, being an agreegate consideration of $15,320,000, the said amount being the value in the judgment of the Boardof Directors of the property purchased under said contract in addition to the cash payment to be made therefor as provided therein, and that said stock and the certificates thereof be issued according to the order of the said W. C. Durant.

The President then stated that it was in order to authorize the proposed bond issue and the Indenture to secure such Bonds.

On motion, the following resolutions were adopted by the affirmative vote of all the Directors:

(9) RESOLVED, that the President and the Secretary of this Du Pont Securities Company be and hereby they are authorized and directed to execute under its corporate seal, and to deliver, with and to Bankers Trust Company, a Collateral Indenture dated November 22, 1920, to secure an authorized issue of $20,000,000 principal amount of One-Year Secured 8% Gold Bonds of the Company dated November 22, 1920, payable November 22, 1921, but subject to redemption at 101% of the principal sum and any accrued interest at any time prior to May 22, 1921, and at 100½% of the principal sum and any accrued interest on that date or on any date thereafter prior to maturity, the Indenture and the form of the Bonds issuable thereunder to be substantially in the form submitted at this meeting.

(10) RESOLVED, that as provided in such Indenture this Company does pledge with and deliver to said Bankers Trust Company as Trustee under said Indenture, 200 shares (without par value) of the common capital stock of General Motors Corporation for each $1,000 principal amount of Bonds issued under said Indenture; and that the proper officers of this Company be and hereby they are authorized so to pledge and deliver any or all shares of the said General Motors Corporation common stock, and the certificates thereof acquired by this Company under the agreement with W. C. Durant and under the agreement with Du Pont American Industries, Inc., and Chevrolet Motor Company, this day authorized by the Board of Directors.

(11) RESOLVED, that pending the preparation of the definitive Bonds au-

thorised to be issued under this Indenture, the proper officers of this Company be and hereby they are authorised to execute, and the Trustee under said Indenture is hereby authorised and requested to certify and to deliver to J. P. Morgan & Co or order, a Bond or Bonds in temporary form as authorised under said Indenture and of any denomination or denominations acceptable to J. P. Morgan & Co., for principal amounts bearing the ratio of $1000 principal amount of the Bonds to each 200 shares of said General Motors Corporation common stock pledged under said Indenture; and from time to time to execute, certify and deliver other temporary Bonds in exchange and upon cancellation of any temporary Bonds theretofore issued, and also definitive Bonds, if and when prepared, in exchange for any outstanding temporary Bonds, all as provided in said Indenture.

The President also reported that as part of the Plan there had been arranged in behalf of the Company a sale to this Company by a Syndicate organised under a Syndicate Agreement dated July 16, 1920, of which J. P. Morgan & Co. are Syndicate Managers, for the purchase by this Company, in addition to the shares to be acquired from W. C. Durant, of 122, 095 shares of the said General Motors Corporation common stock held by such Syndicate, at the net cost (including interest) of said stock to said Syndicate, viz., $17.72+ per share.

Thereupon on motion the following resolution was adopted by the affirmative vote of all of the Directors:

(12) RESOLVED, that this Company purchase from the Syndicate organised under a Syndicate Agreement dated July 16, 1920, of which J. P. Morgan & Co. are Syndicate Managers, 122, 095 shares (without par value) of common stock of the said General Motors Corporation held by such Syndicate, at the net cost (including interest) of said stock to said Syndicate, being $17.72+ per share, the exact price, being such net cost, to be ascertained by the Treasurer of the Company, and that the purchase price of such stock be paid by the Company in cash.

Thereupon, on motion, the following resolution was adopted:

(13) RESOLVED, that the proper officers of the Company be and hereby are authorized to execute any writings and to perform any acts necessary or proper to carry out and consummate the purpose of the resolutions adopted at this meeting,

Thereupon, on motion, the meeting adjourned.

____
Secretary.

NOTE: Seal of DuPont Securities Company appears on first and second pages.

Government's Exhibit No. 156

E. I. du Pont de Nemours & Company
Incorporated

ADVICE OF ACTION

January 18, 1921

Mr. J. J. Raskob, V. P.

Subject: Proposed plan to purchase Mr. W. C. Durant's Interest in du Pont Securities Company—Loan to him of $500,000.

Action taken by Finance Committee
at meeting January 17, 1921
Remarks

Referring to your report of January 17, 1921, in connection with the above subject:

It was moved and unanimously carried that this report be received and ordered filed and that a copy of same be transmitted to the Executive Committee of duPont American Industries, Inc. with the recommendation that the plan outlined therein be approved.

M. D. Fisher (Stamp)
Sec'y Finance Committee

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Note. "Return to Room 9059" stamped and "F-402" written at top of document; "Return to Executive Committee Room 9069" stamped at bottom.

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January 17, 1921.

TO: FINANCE COMMITTEE,
E. I. DUPONT DE NEMOURS & COMPANY,

FROM: J. J. RASKOB.

Mr. W. C. Durant, as you know, has a 40% interest in the common stock of the DuPont Securities Company, represented by 40,000 shares of no-par-value. I would like to recommend that an offer to purchase said 40,000 shares be made to him, paying therefor 230,000 shares of General Motors Corporation common stock.

It is understood that Mr. Durant will require approximately 95,000 shares of said stock for delivery to certain interests which he ~~represents~~ *owes* leaving a balance of 135,000 shares on which he would like to secure a loan of $500,000. for one year with the right to the lender to purchase said 135,000 shares at any time within twelve months at $15. per share.

My suggestion is that the DuPont Securities Company make this loan and take this option as they have upwards of $2,000,000 cash on hand.

Will the Finance Committee kindly approve this plan.

/s/ J. J. RASKOB.

NOTE. "Return to Executive Committee Room 9069" stamped at bottom of document. Italics indicate pencil changes and notation.

Government's Exhibit No. 157

AGREEMENT

—between—

DuPONT AMERICAN INDUSTRIES, INC.
DuPONT SECURITIES COMPANY

—and—

W. C. DURANT

JOHN THOMAS SMITH
ATTORNEY AND COUNSELLOR AT LAW
224 WEST 57TH STREET
NEW YORK

AGREEMENT, made this thirty-first day of December, 1920, between DuPont American Industries, Inc., a corporation of Delaware, hereinafter called "Industries Company", first party, DuPont Securities Company, also a corporation of Delaware, hereinafter called "Securities Company", second party, and W. C. Durant, of the Borough of Deal, State of New Jersey, third party,

Witnesseth:

Whereas the said Durant and the Industries Company have heretofore entered into an agreement dated October 26th, 1920, whereby the said Industries Company loaned to the said Durant one million three hundred seven thousand four hundred ninety-nine (1,307,499) shares of the no par Common Capital Stock of General Motors Corporation, and the said Durant pledged as security for the return thereof, ninety-five thousand (95,000) shares of the Common Capital Stock of Chevrolet Motor Company; and

Whereas the said Durant desires to sell and the Industries Company desires to purchase forty thousand (40,000) shares of the Common Stock of the DuPont Securities Company,

Now, therefore, in consideration of the premises,

—2—

the covenants herein contained and other valuable considerations, it is hereby agreed by and between the parties hereto as follows:

ARTICLE I. Said DURANT hereby agrees to sell and the INDUSTRIES COMPANY hereby agrees to purchase forty thousand (40,000) shares of the Common Stock of the DuPont Securities Company, receipt whereof is hereby acknowledged, by said INDUSTRIES COMPANY, and to pay therefor two hundred thirty thousand (230,000) shares of the Common Capital Stock of General Motors Corporation, receipt whereof is hereby acknowledged by the said DURANT.

ARTICLE II. The agreement between the said DURANT and the INDUSTRIES COMPANY, dated October 26th, 1920 is hereby cancelled, and the said one million three hundred seven thousand four hundred ninety-nine (1,307,499) shares of General Motors common stock is acquired by the said DURANT at the price of Ten ($10) Dollars a share, and payment made therefor by the delivery of the said ninety-five thousand (95,000) shares of Chevrolet stock, receipt of said Chevrolet stock being acknowledged by the INDUSTRIES COMPANY, and of the General Motors stock by the said DURANT.

ARTICLE III. The INDUSTRIES COMPANY hereby agrees

DuPont

to cause the SECURITIES COMPANY to lend to the said DURANT the

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sum of Five hundred thousand ($500,000) Dollars to be evidenced by the promissory note of the said DURANT payable one year from the date hereof, with interest at the rate of six (6%) per cent. per annum, and secured by one hundred seventy-four thousand seven hundred twenty-one (174,721) shares of the Common Capital Stock of General

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Motors Corporation, fifty-five thousand one hundred fifty-nine (55,159) shares of which shall be represented by the assignment of fifty-five thousand one hundred fifty-nine (55,159) shares of the sixty-five thousand six hundred sixty-five (65,665) shares of stock subscribed by the said DURANT, in respect of which Two ($2) Dollars a share has been paid to General Motors Corporation, and the balance of Eighteen ($18) Dollars a share was due and payable as of the first day of December, 1920.

ARTICLE IV. The said DURANT agrees to sell and deliver to the INDUSTRIES COMPANY or its nominee, all or any part of one hundred seventy-four thousand, seven hundred twenty-one (174,721) shares of the Common Capital Stock of General Motors Corporation pledged as collateral security for the said Five hundred thousand ($500,000) Dollar note at the price of Fifteen ($15) Dollars a share, payments and deliveries to be made at the office of General Motors Corporation, No. 224 West 57th Street, Borough of Manhattan, City of New York.

IN WITNESS WHEREOF, the parties hereto have hereunto

—4—

set their hands and caused these presents to be executed the year and day above mentioned.

DUPONT AMERICAN INDUSTRIES, INC.

By

/s/ J. J. RASKOB
Vice-President

Attest:

/s/ ALEXIS I. DU PONT
Secretary

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DuPont Securities Company

By

/s/ Pierre S. duPont
President

Attest:

/s/ J. J. Raskob
Secretary

/s/ W. C. Durant

Note: "gmc-1011" appears in the lower right-hand corner of each page. Seal of DuPont American Industries, Inc. and illegible seal appear on page 4 of document.

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Government's Exhibit No. 158

DU PONT AMERICAN INDUSTRIES, INC.

BOARD OF DIRECTORS.

OFFER OF CHEVROLET MOTOR COMPANY TO SELL AND DELIVER TO E. I. DUPONT DENEMOURS & CO. ITS ENTIRE INTEREST IN THE DU PONT SECURITIES COMPANY, AND ASSIGNMENT OF SAID OFFER TO THIS COMPANY:

The following resolution was introduced and, on motion duly seconded, was unanimously adopted:-

WHEREAS, the Chevrolet Motor Company has offered to sell and deliver to E.I.duPont deNemours and Company its entire interest in the duPont Securities Company consisting of 28,000 shares of the preferred stock of said Company and 16,000 shares of the common stock without par value of said Company, and to accept in payment therefor $2,800,000.00 in cash, together with accrued dividends on said preferred stock at the rate of 8% per annum to date of payment, and 92,000 shares of the common stock without par value of General Motors Corporation, and also to sell and deliver to this Company 276,000 shares of the common stock of General Motors Corporation at a price of $13. per share; and

WHEREAS, said offer was received by said E.I.duPont deNemours and Company, as sole stockholder of this Company, for the account and benefit of this Company, which offer has heretofore been duly assigned and transferred to this Company;

RESOLVED, that said offer be and the same is hereby accepted, provided, however, that the Chevrolet Motor Company agree to the following modification and addition thereto, viz:-

(a) That this Company shall pay for the 28,000 shares of the preferred stock of duPont Securities Company $2,800,000.00 in cash, together with accrued dividends on said preferred stock at the rate of 8% per annum to date of payment;

(b) That this Company shall pay for the 16,000 shares of the common stock without par value of said duPont Securities Company $1,564,000.00 in cash;

(c) That this Company shall purchase 184,000 shares of the common stock of General Motors Corporation without par value and pay therefor $11. per share, aggregating in all the sum of $2,024,000.00;

(d) That as a part of the consideration for the purchase of said stock the Chevrolet Motor Company shall loan to this Company up to 3,500,000 shares of General Motors Corporation common stock without par value, to be pledged under a collateral indenture, dated May 1, 1921, made by this Company and the Wilmington Trust Company, Trustee, to secure an issue of $25,000,000.00 Secured Serial 6% Gold Bonds of this Company, it being agreed that the stock so borrowed, or an equal number of shares of General Motors Corporation common stock without par value, shall be returned to the Chevrolet Motor Company on demand of the Chevrolet Motor Company.

The acceptance of said offer as herein modified to become binding upon this Company when the same as herein

modified is accepted by resolution of the Board of Directors of the Chevrolet Motor Company.

FURTHER RESOLVED, that upon the acceptance of the modification of said offer by the Chevrolet Motor Company as aforesaid, the proper officers of this Company be and they hereby are authorized and directed to do all further acts and things necessary or incident to completing this transaction.

This is to certify that the above is a true and correct copy of resolution unanimously adopted by the Board of Directors of DuPont American Industries, Inc. at meeting held May 31, 1921.

M. D. Fisher, Asst. Sec'y
du Pont American Industries, Inc.

2.

[Corporate Seal]

NOTE: Italics indicate handwriting. "TD-160" is written at top of page. "gmc 1108" is written at bottom of page.

3

Government's Exhibit No. 161

April 2nd, 1921.

To: FINANCE COMMITTEE
E. I. DUPONT DE NEMOURS & CO.

FROM: J. J. RASKOB

Since the meeting of the Board of Directors last Monday much careful thought has been given the best method of securing;

(a). The separation of our investment in General Motors Corporation from our other properties, and

(b) The matter of permanently financing the Durant purchase, which was temporarily financed through the formation of the duPont Securities Company, whose notes come due next November.

I recommend the adoption of a plan substantially along the following lines: The details of this plan may be changed and it therefore should be merely tentatively adopted now, with the understanding that the plan as finally drawn will be presented to your committee for transmission to the Board before final adoption.

FIRST: The duPont Company will pay—

On account of bank loans, say, ...	$7,000,000.00
On account Christiana Securities Co. Note	2,800,000.00
On account of DuPont-Nobel Subscription	4,000,000.00
Take up duPont Securities Indebtedness	17,000,000.00
Purchase Chevrolet Motor Company's interest in duPont Securities—preferred stock—	2,800,000.00
TOTAL	$33,600,000.00

To secure these funds that the duPont Company will sell, through J. P. Morgan & Company, $30,000,000.00 ten-year 7½% notes, without sinking fund, but with provisions for retirement. These notes to be sold to the public at par, but the Company to sell them to a underwritng syndicate at, say, 95% and the underwriting syndicate to offer them to a distributing syndicate at, say, 96%.

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This will net the Company in cash, at 95%,	$28,500,000.00
Additional cash to be secured from stockholders, under plan hereinafter outlined, approximately,	5,250,000.00
TOTAL,	$33,750,000.00

* * * * * * * * * * *

The second part of the proposed plan which I recommend for tentative adoption is as follows:—

FIRST: Form the Du Pont Securities Company under the laws of the State of Delaware, (the present company may be used for this purpose if desirable) which will purchase from the du Pont Company 7,000,000 shares of General Motors common stock, issuing to the du Pont Company in payment therefor all of its securities, as follows:

8% First Preferred Stock,	$20,000,000.00
6% Second " "	21,000,000.00

which will be retirable out of the earnings of the Company at the rate of $4,200,000.00 per year.

Common stock,	$21,000,000.00

SECOND: The du Pont Company will then offer to its 6% debenture stockholders the right to exchange 6% debenture stock for 8% first preferred stock of the du Pont Securities Company, on a share for share basis. If the subscriptions received total $20,000,000.00 this will result in the outstanding debenture stock of the du Pont Company being reduced from $70,000,000.00 to $50,000,000.00, which is highly desirable.

THIRD: The du Pont Company will offer to its common stockholders the right to subscribe to;

$21,000,000.00 6% second preferred stock of the Du Pont Securities Company at par,	$21,000,000.00
$21,000,000.00 common stock of the Du Pont Securities Company at $25. per share,	5,250,000.00
TOTAL,	$26,250,000.00
Of this amount stockholders will pay in cash	5,250,000.00
BALANCE,	$21,000,000.00

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which will be payable in stockholder's notes in favor of the E. I. duPont de Nemours & Company, with the following maturities:—

1 year after date,	$4,200,000.00
2 years " " ,	4,200,000.00
3 " " " ,	4,200,000.00
4 " " " ,	4,200,000.00
5 " " " ,	4,200,000.00
TOTAL,	$21,000,000.00

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To state this another way, it means that the holder of each THREE SHARES of du Pont common will be entitled to subscribe for:

One share 8% second preferred stock—Du Pont Securities Co. at par,	$100.00
One share common stock Du Pont Securities Company,	25.00
TOTAL,	$125.00

payable—

Cash,	$25.00	
Note due in 1 year,	20.00	
" " " 2 years	20.00	
" " " 3 "	20.00	
" " " 4 "	20.00	
" " " 5 "	20.00	$125.00

The notes so given will be secured by all of the preferred and common stock subscribed for.

It will be noted that under this plan one-fifth of the second preferred stock is retired out of earnings each year so that a subscriber secures sufficient cash each year with which to meet his note interest and the payment of the principal on his notes, as they respectively become due. At the end of five years he will be in a position of holding one share of common stock of Du Pont Securities Company, for which he paid $25.00, all of his notes will have been paid and all of the second preferred stock of the Du Pont Securities Company will have been retired.

To make it a bit clearer, let me put it this way:

If the General Motors Corporation, during the next five years, pays dividends which will average at the rate of $1.00 per share per annum the annual income of the

du Pont Securities Company would be..	$7,000,000.00
Its dividend charge of 8% of $20,000,-000.00 first preferred stock would aggregate	1,600,000.00
BALANCE	5,400,000.00

which is more than sufficient to pay the 6% dividend on the second preferred stock and retire the stock over a period of five years.

If this is accomplished the status of the duPont Securities Company will be; That it will own 7,000,000 shares of General Motors Corporation common stock, which, if then worth $20.00 per share would equal $140,000,000.00 the company would have outstanding.

Its 8% first preferred stock aggregating.	$ 20,000,000.00
BALANCE	$120,000,000.00

representing the equity of the common stock (all of the second preferred stock would have been retired) for which the common stockholder would have paid but .... $ 5,250,000.00

This means that under these conditions the present holder of THREE SHARES of common stock would have, in taking out his subscription, invested $25.00 in cash and

his equity in the property would be $570.00 and all his personal notes given to E. I. duPont de Nemours & Company will have been paid.

I feel confident that this plan can be improved in detail and presented to the stockholders in a very simple manner and be easily understood.

If this plan is tentatively approved by our Finance Committee I would recommend that the Treasurer be given authority to negotiate a $30,000,000.00 ten-year loan of the E. I. duPont de Nemours & Company, without sinking fund, with J. P. Morgan & Company, upon such terms and conditions as he and the president think proper, reporting back to this committee the result of these negotiations, after which the matter should be presented to the Board of Directors as a definite proposal for adoption.

—5—

It is very important that we move quickly as there are many security offerings hanging over the market ready to be sprung almost any minute and it will be but a comparatively short time before the market has to absorb a $200,000,000.00 bond issue of the C. B. & Q. Railroad Company.

Personally, my feeling is that these negotiations can be concluded within a week, directors meeting held and this whole matter explained in a way that will result in complete accomplishment of both plans to the point of making our offerings to the stockholders within two or three weeks and if the offering to the stockholders remains outstanding for thirty days the plan can be completely accomplished by the middle of May.

I have not called attention to the fact, but it is important to note the following with respect to the duPont Company's position—

First:—To meet its $30,000,000.00 note issue it will have stockholders notes aggregating $21,000,000.00

Some General Motors stock left in its treasury, which, if it is able to sell during the next ten years at given prices, will net .... $ 9,000,000.00

Total $30,000,000.00

which is sufficient to meet payment of its own ten-year notes for $30,000,000.00, herein proposed.

Second:—7½% interest per annum on its $30,000,000.00 of note equals—$2,250,000.00.

To meet this it will have 6% on $21,000,000.00 of stockholder's notes, aggregating $1,260,000.00
and will have relieved itself of the obligation to pay 6% on $20,000,000.00 of its debenture stock, aggregating $1,200,000.00

Total $2,460,000.00

Third: I have not the exact figures before me but the Company's debenture stock outstanding—

aggregating—	$50,000,000.00
will be secured by common stock outstanding—	
aggregating—	$63,000,000.00
and surplus account of	$47,000,000.00
TOTAL	$160,000,000.00

which is equal to 3.2 times the $50,000,000.00 of debenture stock outstanding.

NOTE: "Finance Committee Secy's No. 5234" and "Received Apr 4 1921 M. D. F." (with "28 F" inserted by hand between the date and initials) are stamped, and "MDF" is written, at the top of the first page. "Return to Executive Committee Room 9069" is stamped on each page. "gmc 897k" is written in lower right corner of each page.

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Government's Exhibit No. 162

Copy for — Mr. W.S.Carpenter,Jr.√
Mr. F. Donaldson Brown.
Wilmington,Del., April 8, 1921.

Mr. John J. Raskob,
c/o General Motors Corp.
New York City.

Dear John:—

Referring to the proposed reorganization of the DuPont Securities Co., would it not be well to increase the first preferred stock to 21,000,000, the same amount as the issue of second preferred, keeping the common shares the same total number—210,000 of $25 each. At the same time lodge in the DuPont Securities treasury a number of shares of General Motors which is an even multiple of 210,000, say 6,930,000, so that should later, it be advisable to increase the holdings of General Motors in the DuPont Securities Co., they can be taken in by the issuance of a simple proportion of its securities. Thus, we might say to a stockholder, such as Pierre: "You can enter this consolidation and by putting up 33 shares of General Motors stock you can take down one share of first preferred, one share of second preferred and one share of common."

The advantage to us would be that a stronger control of General Motors could be obtained thereby. The advantage to the depositor would be that he would be able to obtain the equivalent of his dividends in redeemed second preferred stock without being subject to income tax thereon.

Possibly it would be better to reduce the amount of General Motors stock first placed in the treasury to

6,300,000, as that would probably simplify the situation, and if desirable, the Du Pont Co. itself could exchange the balance of its shares like any other proposed depositor.

Very truly yours,

Irenee du Pont

NOTE: "Received Apr 9 1921 Treasurer's Office" and "Noted W. S. C. Jr." are stamped at top. A check mark appears next to "Mr. W. S. Carpenter, Jr." and "T 131" is written at the top. "gmc 848" appears in lower right corner. Italics indicate handwriting.

Government's Exhibit No. 163 , 1921.

TO: FINANCE COMMITTEE,
E. I. DUPONT DENEMOURS & COMPANY.

FROM: J. J. RASKOB.

Referring to my report of April 2nd would advise that after very careful consideration I think the plan tentatively adopted may be tremendously simplified by the following plan which I now definitely recommend for final adoption:

First - E. I. duPont deNemours & Company to borrow $35,000,000 on its straight ten year 7½% notes without sinking fund but with provision for retirement, these notes to be sold to the public at par but the Company to sell them to an underwriting syndicate at 95% and the underwriting syndicate to offer them to a distributing syndicate at a proper price, say about 96%.

Second - Form a new DuPont Securities Company which will purchase from the DuPont Company 7,000,000 shares General Motors common stock, issuing to the DuPont Company in payment therefor all of its securities as follows:

Ten year 6% sinking fund notes secured by 7,000,000 shares General Motors common stock	$25,000,000
8% preferred stock - - - - -	20,000,000
Common stock (no-par-value) - - -	633,000 shares

E. I. duPont deNemours & Company will retain the $25,000,000 of DuPont Securities Company notes in its treasury; will offer to exchange $20,000,000 of 8% preferred stock of the DuPont Securities Company for $20,000,000 of its own debenture stock on a share for share basis; and will offer to its common stockholders the right to subscribe to 633,000 shares

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of common stock at $8.00 per share, making a total of $5,084,000. We can arrange so that this $8.00 per share may be paid 40% in cash, 20% in three months, 20% in six months and 20% in nine months.

The balance sheet of the Company as of December 31st, 1920 after carrying out this plan would be substantially as follows:-

ASSETS

Cash, Notes & Accounts Receivable, Claims (less advances applicable thereto), Materials and Finished Products - - - - - - - - - - - - - - - - $	86,600,000
Short Term Notes & Quickly Marketable Securities	1,500,000
Net Advances to Controlled Companies - - - - - -	3,300,000
6% ten-year Notes of DuPont Securities Company -	25,000,000
Investment in Stock of Controlled Companies and Miscellaneous Securities - - - - - - - - - - -	16,900,000
Fixed Investment in Real Estate, Plants and Equipment - - - - - - - - - - - - - - - - - - -	68,500,000
Good-Will -	23,600,000
	$225,400,000

LIABILITIES

Accounts Payable - - - - - - - - - - - - - - - -	7,100,000
Deferred Liabilities and Credit Items - - - - - -	4,500,000
Ten-year Notes (present issue)- - - - - - - - -	35,000,000
Debenture Stock Issued - - - - - - - - - - - - -	50,600,000
Common Stock Issued - - - - - - - - - - - - - - -	63,400,000
Reserves -	19,300,000
Surplus -	45,000,000
	$225,400,000

It will be noted that this plan recommends a $35,000,000 ten-year note issue instead of $30,000,000 as previously recommended. This change is desirable in order to completely retire the DuPont Company floating indebtedness and to enable the Chevrolet Company to take up its entire

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indebtedness which is injuring the credit of the General Motors Corporation. The attached sheets are of interest.

The above plan is infinitely simpler than the plan tentatively recommended in my report of April 2nd and covers every condition except one which will be fully explained at the meeting and which may be briefly stated as follows:

Under this simplified plan, a common stockholder receives the right to subscribe to a share of DuPont Securities Company common stock at $8.00. By paying $8.00 he receives his certificate and it is my thought that we should arrange to pay dividends equal to, say, 12% on his $8.00 investment. He will be able to use this certificate as collateral and no stockholder should have difficulty in borrowing all or part of the $8.00 required. Should he not care to subscribe, he should be able to sell his subscription right for a substantial amount. Under the previous plan, a stockholder was required to pay his $8.00 into the Company and give his notes running for five years to the Company, which notes would carry as collateral his $8.00 payment, leaving him with nothing tangible in the way of collateral.

Considering the matter from the Company's standpoint, would advise as follows:

Under the previous plan there was issued $20,000,000 of DuPont Securities Company 8% preferred stock (which was to be used to retire $20,000,000 of 6% debenture stock) and in addition E. I. duPont deNemours & Company were to receive $21,000,000 of stockholders' notes secured by $21,000,000 6% Second Preferred Stock of the DuPont Securities Company, which notes the DuPont stockholders would be called upon to pay in the contingency that during the ten year period the second preferred stock could not be retired from the earnings of the DuPont Securities Company, which earnings consist solely of dividends on 7,000,000 shares of General Motors common stock.

Under the present plan, E.I. duPont deNemours & Co. will retire $20,000,000 of its debenture stock and will have $25,000,000 of notes of the DuPont Securities Company secured by 7,000,000

shares of General Motors Corporation common stock instead of having $21,000,000 of our stockholders' notes secured by substantially the same collateral.

In other words, in the event that 7,000,000 shares of General Motors common stock not netting $3.00 per share sometime within the next ten years, the DuPont Company would then probably have to look to its stockholders for $21,000,000 which they are not now underwriting but which, under the previous plan, was assumed by them as a contingent liability.

The matter of assuming a contingent liability running over a period of five years or ten years is a very serious matter for an individual and it seems to the writer thoroughly unnecessary to make our stockholders assume this contingent liability to cover the remote possibility of not being able to get $3.00 per share out of General Motors common stock over the next ten years. It must be remembered that the common stockholders of the DuPont Company are showing a substantial amount of good faith in contributing $5,000,000 on securities which are junior to a $25,000,000 note issue and a $20,000,000 8% preferred stock issue and if, during the course of the next year or two or five years, conditions so shape themselves as to dictate the advisability of calling on our common stockholders for additional funds, the way is always open to do so.

P.S. - I neglected to point out two important things under this revised plan, as follows:

First - The money with which to retire our $35,000,000 note issue at maturity may be provided as follows:

Through the payment of DuPont Securities Company 6% ten-year notes - - - - - - - -	$25,000,000
Through the sale of 30,660 shares Chevrolet stock (converted represents approximately 460,000 shares General Motors common stock) at, say, - - - - - - - - - - - - - - - - - -	$10,000,000
Total - - - - - -	$35,000,000

Second - The annual interest charge of 7½% on $35,000,000 of notes will be met as follows:

6% interest on $25,000,000 of DuPont Securities Company notes - - - - - - - - -	$ 1,500,000
Through reduction of $20,000,000 of E.I.duPont deNemours & Co. debenture stock outstanding - - - - - - - - - - - - - -	1,200,000
Total - - - - - - -	$ 2,700,000

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DU PONT SECURITIES COMPANY

EQUITIES AND EARNINGS

	Assets	Earnings
7,000,000 shares General Motors common stock at book value -	$105,000,000	$7,000,000
8% ten-year notes outstanding - - --	25,000,000	1,500,000
8% preferred stock outstanding - - --	20,000,000	1,600,000
Total - - --	45,000,000	3,100,000
Balance equals equity for 633,000 shares of common stock - - - - - - - - - - - - - -	$60,000,000	3,900,000

(On this basis the common stock equity would be $ 94.78 per share and the earnings accruing to the benefit of the common stock would be $6.16 per share)

Proposed common stock dividend of $1.00 per share (equal to 12½% on the purchase price of $8.00 per share)	633,000
Balance equals - - - -	$3,267,000

which may be used each year as a sinking fund to retire the $25,000,000 note issue. In this way, the note issue will be retired in seven years, provided General Motors Corporation pays dividends at a rate of no more or less than $1.00 per share per year.

CHEVROLET MOTOR COMPANY

CASH REQUIREMENTS AND RECEIPTS

Cash Requirements

Bank Loans - - - - - - - -	$ 5,250,000
Ball Bros. Notes - - - - - -	3,000,000
Accrued Interest - - - - - - -	45,000
Total - - - -	$ 8,295,000

Cash Receipts

Cash on hand April 5th - - - - -	431,959.71
General Motors common stk. dividend due May 1	1,375,224.00
Sale of DuPont Securities Company preferred stock to E. I. duPont deNemours & Company at cost plus accrued dividend - - -	2,900,000.00
Sale of 276,000 shares General Motors common stock at 13 - - - - -	3,588,000.00
Total - - -	8,295,183.71

- -

Chevrolet Motor Company holdings in General Motors Corporation common stock may be summarized as follows:

Stock now held - - - - - - -	5,500,896 shares
Sale of DuPont Securities Company common stock to E. I. duPont deNemours & Co. should net	92,000 shares
Total -	5,592,896 shares
Sale as above to provide cash to meet indebtedness	276,000 shares
Balance (equal to 14.4357 shares for each share of Chevrolet stock outstanding)	5,316,896 shares
Stock to be paid DuPont Company in exchange for 222,830 shares of Chevrolet stock on basis of 14.4357 to one - - -	3,216,688 shares
Balance equals number of shares of General Motors common stock which will then be held by the Chevrolet Motor Company - -	2,100,208 shares

CONTROL OF CHEVROLET MOTOR COMPANY

Total Chevrolet stock outstanding Apr. 5th, 1921 - - - - -	368,315 shares
Amount to be exchanged by DuPont Company	222,830 shares
Balance equals number of shares then outstanding - - - -	145,485 shares
Control equaling one-half of this or -	72,743 shares

- -

CHEVROLET STOCK OWNED BY DUPONT COMPANY AND FRIENDS

Present shares of Chevrolet stock held by DuPont Company - - - -	253,490 shares
Amount to be surrendered for exchange -	222,830 shares
Balance to be retained by DuPont Company -	30,660 shares
Chevrolet stock held by friends - - (see detail below)	44,162 shares
Total - -	74,822 shares

Ethel duPont Barksdale,	Wilmington	-	2,500 shares
Christiana Securities Co.	"	-	98
T. E. Doremus	"	-	15
Alice duPont	"	-	4,000
Mrs. Ethel H. duPont	"	-	700
H. A. duPont,	Winterthur, Delaware	-	1,000
H. F. duPont	"	-	950
Lammot duPont,	Wilmington	-	2,000
Pierre S. duPont,	"	-	17,600
T. C. duPont,	New York City	-	9,300
Glenden Land Company	Wilmington	-	300
Harry T. Graham	"	-	365
Hunter Grubb	"	-	50
Elizabeth D. Haskell	"	-	300
C. A. Patterson	"	-	75
Helena S. Raskob	Claymont, Del.	-	100
John J. Raskob	"	-	4,636
William F. Raskob	Wilmington	-	100
Frank Turner	Detroit	-	75
	Total	-	44,162

NOTE: "gmc-897g" is written in lower right corner.

DUPONT COMPANY CASH REQUIREMENTS AND RECEIPTS

Cash Requirements

Christiana Securities Company Notes -	-	$2,800,000
Bank Loans - - - -	-	9,000,000
DuPont-Nobel subscription (our half)	-	4,000,000
Total	-	15,800,000
DuPont Securities Company net indebtedness-		16,942,000
DuPont Securities Company preferred stock to be bought from Chevrolet Company at cost plus accrued dividend	-	2,900,000
Cost of 276,000 shares General Motors common to be purchased from Chevrolet at 13	-	3,588,000
Total	-	39,230,000

Cash Receipts

Proceeds from sale of 2568 shares General Motors common at 13 - -	-	33,384.
Preferred Stock dividend to be received from DuPont Securities Company -	-	250,000
Sale of $35,000,000 notes to J. P. Morgan & Company at 95 - - -	-	33,250,000
Cash from common stockholders -	-	5,280,000
General Motors dividend due May 1st-	-	235,000
Total	-	$39,036,384

NOTE: "gmc-897h" is written in lower right corner of this page. "Return to Executive Committee Room 9069" is stamped on each of first eight pages.

Government's Exhibit No. 166

August 17, 1921

History of the du Pont Company's Investment in the General Motors Corporation
(Enclosure—Exhibit "A")

Year 1917

On December 21, 1917, Action was taken at joint meeting of the Finance and Executive Committees authorizing the purchase of $25,000,000 worth of Common Stock of the General Motors and Chevrolet Companies. The purchase of these stocks was begun immediately, and by December 31 of that year we had accumulated a total of 5,600 shares of General Motors and 40,200 shares of Chevrolet. The Chevrolet stock expressed in General Motors equivalent ($100 par value stock) amounted to a total of 51,540.6 shares of General Motors stock. The sum of these stocks on the present-day no-par basis amounted to 515,406 shares, representing 6.7% of the outstanding stock of that corporation. This stock was purchased at a total cost of $3,628,160 or $7.04 per share (on the present-day no-par basis).

Some statistics relating to this investment at December 31, 1917, (as will be found in Exhibit "A" wherein this stock is treated with on the present-day no-par basis) are:

			Per Share
(a) General Motors Earnings for the year available for Common Stock amounted to	$26,285,952	or	$3.42
(b) Cash Dividends Paid Amounted to	8,073,439	or	1.05
(c) Additions to Surplus Amounted to (This includes negative adjustments, details of which are not readily available)	11,508,393	or	1.50

			Per Share
(d) The Du Pont Co. received Dividends therefrom amounting to	00	or	00
(e) The Du Pont Co.'s portion of the Undivided Profits for the year amounted to	771,523	or	1.50
(f) The net asset value of our holdings amounted to	5,925,109	or	11.50
(g) The high and low market prices of General Motors stock for the year were	14.62	and	7.50

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Year 1918

Under date of January 4, 1918, the General Industries, Inc. was formed for the purpose of providing a holding medium for our Motors Investment. The authorized total capital of this corporation was $25,000,000, which was subscribed to in full by the Du Pont Co

By March 8 we had purchased the full amount of General Motors and Chevrolet stocks provided for in the authorization of December 21, 1917, in fact the total purchases aggregated 99,875 shares ($100 par value) General Motors stock and 133,690 shares of Chevrolet stock at a total cost of $25,183,759. The 133,690 shares of Chevrolet stock converted into its General Motors equivalent amounted to 152,788 shares; resulting in our owning at that date the equivalent of 250,663 shares of General Motors, or 23.83% of the outstanding stock of that corporation.

The above purchases were temporarily financed for the account of the General Industries, Inc. by loans of Liberty Bonds from the Du Pont Securities Co. (Christiana Securities) and the Du Pont Co. also notes of the General Industries, Inc. together with cash advanced by the Du Pont Co. During the latter part of 1918 and early 1919

the financing of this amount was permanently cared for by the Du Pont Co. fulfilling its subscription to the Capital Stock of the General Industries, Inc.

On April 9 the name of the General Industries, Inc. was changed to Du Pont American Industries, Inc. and its authorized capital increased to $50,000,000. The Du Pont Company eventually subscribed to this stock to the extent of $49,045,300, the proceeds from the sale of the additional $24,045,300 being employed to purchase additional General Motors and Chevrolet Common Stock, and certain Investment Stocks from the Du Pont Company (such as Austin Powder Co., Equitable Powder Co., Delaware Surety Co., Bank Stocks, etc.)

On April 25 the Du Pont American Industries authorized the purchase of $3,000,000 additional General Motors in Chevrolet stock; and by July 9 the purchases under this authorization were completed, the amount purchased being 25,425 shares of Chevrolet stock at a total cost of $3,219,238.

Under date of December 14 the Du Pont American Industries, Inc. authorized the purchase of approximately $5,000,000 par value General Motors Stock from the McLaughlin interests, which stock had been issued in payment for the McLaughlin Buick properties in Canada. Also, authorization was given to underwrite $24,000,000 par value General Motors Stock which was to be offered to its stockholders at $120 per share, the total underwriting amounting to $28,800,000.

—3—

By December 31 we had purchased the stock from the McLaughlin interests to the amount of 43,000 shares at

$130 per share, or at a total cost of $5,590,000. Also we eventually retained from the Underwriting 65,597 [sic] shares at a total cost of $8,407,833, or an average per share of $128.21 (the final results of the Underwriting were not known until early in the year 1919. However, since the total amount of the stock underwritten was shown as stock outstanding on the books of the General Motors Corporation at December 31, 1918, we have included in our 1918 figures the 65,579 shares above mentioned):

	Shares	Cost
At the end of the year 1918 we owned 206,454 shares ($100 par value) General Motors stock which cost $122.20 per share—these shares on the present-day no-par basis represented	2,064,540	$25,228,940
We also owned 159,115 shares of Chevrolet stock which cost per share $108.79—these shares converted to their General Motors equivalent, and on the present-day no-par basis represented	1,818,366	17,310,072
Total at December 31, 1918	3,882,906	42,539,012

representing an average cost of $10.96 per share, and 26.35% of the outstanding stock of the General Motors Corporation.

Some statistics relating to this investment at December 31, 1918 (as will be found in Exhibit "A" wherein this stock is treated with on the present-day no-par basis) are:

		Per-Share
(a) General Motors Earnings for the year available for Common Stock amounted to	$12,905,036 or	$ .88
(b) Cash Dividends Paid Amounted to	11,237,310 or	.76
(c) Additions to Surplus amounted to (This includes adjustments; see notes on Exhibit "A").	24,900,545 or	1.69

(d) The Du Pont Co. received Dividends directly and indirectly to amount of	3,502,034	or	.90
(e) The Du Pont Co.'s portion of the Undivided Profits for the year amounted to	6,560,298	or	1.69
(f) The net asset value of our holdings amounted to	48,421,007	or	12.47
(g) The high and low market prices of General Motors stock for the year were	16.40		10.62

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YEAR 1919

In the early part of the year 1919, the Du Pont American Industries, Inc. called on the Du Pont Co. for the balance due on subscription to its Capital Stock and with the proceeds paid off its notes at banks and to certain individuals, which notes were given in the early part of 1918 as a temporary means of financing certain purchases of General Motors and Chevrolet stock.

Under date of August 4, authorization was given to purchase $5,000,000 worth of General Motors stock at $225 per share or better; and by August 14 the purchases under this authority amounted to 22,000 shares ($100 par value) General Motors stock at a total cost of $4,796,087. It was then decided that no further purchases would be made at that time.

	Shares	Cost
At the end of the year 1919 we owned 238,504 shares ($100 par value) General Motors stock which cost an average of $131.90 per share—these shares on the present-day no-par value basis represented	2,385,040	$31,448,181
We also owned 159,115 shares of Chevrolet stock which cost per share $108.79—these shares converted to their General Motors equivalent, and on the present-day no-par basis represented	1,818,366	17,310,072
Total at December 31, 1919	4,408,983	48,758,253

representing an average cost of $11.06 [sic] per share and 28.74% of the outstanding stock of the General Motors Corporation.

Some statistics relating to this investment at December 31, 1919 (as will be found in Exhibit "A" wherein this stock is treated with on the present day no par basis) are:

			Per-Share
(a) General Motors earnings for the year available for Common Stock amounted to	$55,792,972	or	$3.64
(b) Cash Dividends paid amounted to	17,324,541	or	1.13
(c) Additions to surplus amounted to (This includes adjustments; see notes on Exhibit "A").	42,232,960	or	2.75
(d) The Du Pont Co. received Dividends directly and indirectly to amount of	4,969,405	or	1.13
(e) The Du Pont Co.'s portion of the Undivided Profits for the year amounted to	12,137,331	or	2.75
(f) The net asset value of our holdings amounted to	66,689,682	or	15.13
(g) The high and low market price of General Motors stock for the year were	40.62		11.87

YEAR 1920

Under date of March 19 we were advised that it had been found necessary to raise additional capital for the General Motors Corporation to the extent of approximately $64,000,000, and that they would attempt to raise this capital through an offering of Common Stock to their stockholders. In view of the fact that the Nobels were interested to the extent of desiring to invest in General Motors stock, it was decided that we, together with the Chevrolet Motor Co. and certain individuals would assign our rights to the Explosives Trades, Ltd. Our rights and others sufficient to cover 1,800,000 shares were assigned to them to be subscribed for at $120 [sic] per share, amounting in total to $36,000,000. $6,000,000 of this amount was assigned by them to C.X.L. and Canadian friends; the balance $30,000,000 was assigned to England (Explosives Trades, Ltd., and English friends). The Canadian amount was taken up as planned. However, it later developed that due to financial and economic conditions in England only $15,000,000 of the amount assigned to England could be covered leaving a balance of $15,000,000 uncovered. The Explosives Trades, Ltd. was relieved of this amount and it was assigned to and taken up by Chevrolet $7,000,000 and C. X. L. $8,000,000 (with the understanding that eventually they would be relieved of same by the du Pont Company and the Nobels).

Under date of May 5, authorization was given to exchange all of our shares of General Motors Common stock at the rate of 1 for 10 for the no-par value stock of that corporation, as provided for in the amendments to their certificate of corporation.

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Under date of June 9, we sold 125,000 shares of no-par value General Motors stock to J. P. Morgan & Co. at $20.00 per share. This sale was made for the purpose of providing J. P. Morgan & Co. with the total amount of stock that it was previously agreed they should own.

Under date of July 1, authorization was given to subscribe up to $1,500,000 to a $10,000,000 syndicate with J. P. Morgan & Co. as managers, it being understood that any stock acquired would be sold and the syndicate liquidated. The result of our participation in this syndicate was that we obtained 1,347 shares of General Motors stock and $15.32 in cash. These shares were sold at the time the syndicate was liquidated.

Under date of November 19, it became necessary to relieve W. C. Durant of approximately 2,600,000 shares no-par value General Motors Common stock at $9.50 per share. To finance this transaction the Du Pont Securities Co. was incorporated. This new Company was authorized to issue $20,000,000 one year 8% collateral notes

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$7,000,000—8% voting preferred stock and 100,000 shares no-par value non-voting common stock.

The Du Pont American Industries subscribed to $4,200,000 par value Preferred Stock for which it paid cash (this amount was borrowed from the Du Pont Co. who in turn had to borrow $2,800,000 from the Christiana Securities Co.). The Chevrolet Motor Co. took the balance of the Preferred Stock $2,800,000 for which it paid cash.

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The Common Stock (100,000 shares) was assigned as follows:

40,000 shares to W. C. Durant for balance of his equity in stock purchased

20,000 shares to J. P. Morgan & Co. for underwriting the $20,000,000 notes

24,000 shares to Du Pont American Industries, Inc. in consideration for loan of 824,179 shares no-par value General Motors stock to be used as collateral on notes

16,000 shares to Chevrolet Motor Co. in consideration for the loan of 549,453 shares of no-par value General Motors stock for use as collateral on notes, the balance of the collateral for the $20,000,000 notes, amounting to 2,626,368 shares, having been acquired from Durant and Syndicate.

The $20,000,000 notes were bought by J. P. Morgan & Co., same being secured by 4,000,000 shares of General Motors Common Stock—above mentioned.

Under date of December 31 we sold W. C. Durant 1,307,499 shares no-par value General Motors stock for 95,000 shares of Chevrolet stock.

	Shares	Cost
At the end of year 1920 we owned 1,124,312 shares General Motors stock which cost per share $11.78	1,124,312	$13,249,434
We also owned 253,490 shares of Chevrolet Stock which cost per share $128.90—these shares converted to their General Motors equivalent (No par value shares) represented	3,802,350	32,674,984
Total at December 31, 1920	4,926,662	45,924,418

representing an average cost of $9.32 per share, and 23.96% of the outstanding stock of the General Motors Corporation.

Some statistics relating to this investment at December 31, 1920 (as will be found in Exhibit "A" wherein this stock is treated with on the present day no-par basis) are:

		Per Share
(a) General Motors Earnings for the year available for Common Stock amounted to	$32,129,949 or	$1.56
(b) Cash Dividends paid amounted to	17,893,289	.87
(In addition to this cash the stock dividends were paid at the rate of 2½% in the May, August, and November quarters to the extent of 1,294,044 shares no par value stock		

(c) Additions to surplus amounted to (This includes adjustments; see notes on Exhibit "A"	42,631,320 or 2.07

	Per Share
(d) The Du Pont Co. received Dividends directly and indirectly to the amount of	$6,120,204 or $1.24
(e) The Du Pont Co.'s portion of the Undivided Profits for the year amounted to	10,213,612 or 2.07
(f) The net asset value of our holdings amounted to	78,320,178 or 15.90
(g) The high and low market prices of General Motors Stock for the year were	42.00 & 12.75

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YEAR 1921

Under date of January 18, authorization was given to purchase from W. C. Durant his 40% interest (40,000 shares) in the Common Stock of the du Pont Securities Co., payment therefor to be made with 230,000 shares of General Motors Stock; also authority was granted to loan W. C. Durant $500,000, this loan to be secured by 135,000 shares of General Motors stock with the option to purchase same from him at any time within twelve months at $15.00 per share.

Under date of June 27 authorization was granted to exchange 230,196 shares of Chevrolet Stock for General

Motors Stock at an exchange rate of 1 share of Chevrolet for 14.43 shares of General Motors. This resulted in the acquisition of 3,177,428.28 shares of General Motors Stock, leaving us with a balance of 33,294 shares of Chevrolet Stock unconverted.

During April of this year it was decided to take immediate steps towards permanently financing our General Motors holdings acquired from Durant, same having been temporarily financed in November 1920 through the Du Pont Securities Co. This permanent financing took the form of $35,000,000 par value 7½% Ten Year Gold Bonds of the E. I. du Pont de Nemours & Co. which were sold as of May 1 to J. P. Morgan & Co. at 95 thereby yielding $33,250,000, the proceeds from which were employed as set forth in the tabulation herebelow.

TABULATION SHOWING DISPOSITION OF PROCEEDS FROM SALE OF $35,000,000—7½% BONDS OF E. I. DU PONT DE NEMOURS & CO.

Receipts

Par value of 7½% bonds sold		$35,000,000
Cash received from liquidation of Du Pont Securities Co.		1,020,400
		36,020,400

Disbursements

Purchase from Chevrolet Motor Co. of 184,000 shares of General Motors	$2,024,000	
Purchase from Chevrolet Motor Co. 28,000 shares Du Pont Securities Preferred	2,800,000	
Purchase from Chevrolet Motor Co. of 16,000 shares Du Pont Securities Common	1,564,000	
Repayment to Christiana Securities Co. of amount borrowed from them in Nov. 1920 to aid in financing the purchase of $4,200,000 Du Pont Securities Co. Pref. Stock	2,800,000	
Purchase of $20,000,000 notes and 20,000 shares of Du Pont Securities Co. Common Stock	20,200,000	
Purchase from C.X.L. of 200,000 shares of General Motors Stock (this being our portion of the amount originally assigned to the Explosives Trades, Ltd.) it having been agreed that we and Nobels would eventually relieve C.X.L. of 400,000 shares which cost $8,000,000	4,000,000	
Expenses including discount on 7½% Bond Issue, printing and transfer taxes	1,885,600	
		35,273,600
Balance not employed in financing of General Motors Stock purchases		$ 746,800

In the above exposition we have considered all transactions as having been made in the name of E. I. du Pont de Nemours & Co. Some of these tranactions were handled in the name of the Du Pont Co. and some in the name of the Du Pont American Industries; however, upon the com-

pletion of these transactions the du Pont American Industries owned 6,882,108 shares no-par value General Motors Stock and 33,294 shares Chevrolet Stock, or the equivalent of 7,362,540 shares no-par value General Motors Stock.

The financial structure of the Du Pont American Industries was changed as the result of the following transactions:

The Du Pont American Industries sold to the Du Pont Company $25,000,000 Six Per Cent 10 Year, Collateral, Serial Notes secured by the deposit of 7,000,000 shares of General Motors Stock with the Trustees of this issue.

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The American Industries declared a dividend of 10% on its Capital stock amounting to $4,904,530, this dividend being paid from the proceeds from sale to the Du Pont Co. of such stocks as Austin Powder Co., Equitable Powder Co. Bank Stocks, etc.

$20,000,000 Eight Per Cent Preferred Stock was issued to the Du Pont Co. in exchange for a like amount par value of its Common Stock which was held by the Du Pont Co., thus reducing its outstanding Common Stock held by the Du Pont Co. to $29,045,300.

Thus it will be seen that all of our General Motors holdings (equivalent to 7,362,540* Shares) is now owned through the Du Pont American Industries, Inc., all of its Common Stock, Preferred Stock and Bonds as set forth below being owned by the Du Pont Company.

Common Stock	$29,045,300
Preferred Stock	20,000,000
Bonds	25,000,000
Total Capitalization	$74,045,300

	Shares	Cost
At the present writing we own 6,882,108 shares General Motors Stock which cost $10.36 per share	6,882,108	$71,289,540
We also own 33,294 shares of Chevrolet stock which cost $128.90 per share—these shares converted to their General Motors equivalent and on the present-day no-par basis represent	480,432	4,291,719
Total at present	7,362,540*	75,581,259

representing an average cost of $10.27 per share, and 35.8 of the outstanding stock of the General Motors Corporation.

* This does not include 200,000 shares bought from C.X.L. at a cost of $20.00 per share, or $4,000,000.

ABE:TM

Note:

The exhibit on pages 3390-3391 is on Card 56

TABULATION SHOWING - DU PONT COMPANY'S AVERAGE INVESTMENT IN GENERAL MOTORS COMMON STOCK FOR THE YEARS 1918, 1919 and 1920, TOGETHER WITH FORECAST FOR THE YEAR 1921; ALSO DU PONT COMPANY'S PORTION OF EARNINGS AND DIVIDENDS RECEIVED BOTH IN AMOUNT AND AS A PERCENT OF AVERAGE INVESTMENT, AVERAGE COST PER SHARE AND NET ASSET VALUE PER SHARE

EXHIBIT II

Year	Cost of du Pont Co's Investment in General Motors Common Stock (Average)	Du Pont Co's Portion of Earnings on General Motors Common Stock	Percent Earnings on Average Investment	Dividends Received by (and accrued in Chevrolet du Pont Co. on General Motors Common Stock	Percent on Average Investment	Average Cost per share to date - 12-31	Net Asset Value per share of General Motors Stock at 12-31
1918	$25 500 877	$10 062 332	39.46%	$3 502 034	13.73%	$ 10.96	$12.47
1919	45 181 914	17 106 735	37.86	4 969 405	11.00	11.06	15.13
1920	47 532 185	16 333 815	34.36	6 120 204	12.88	9.32	15.90
TOTAL	$118 214 976	$43 502 882	36.80%	$14 591 643	12.34%	$ 9.32	$15.90
Forecast 1921	$ 59 792 109	$ 7 349 382	12.29%	$ 4 840 369	8.10%	$ 10.27	$15.90 (Present Book (Value -6-30-21 - (is $15.75 per (Share).

[E 1110] [33[illegible]8]

STATEMENT SHOWING - ESTIMATE OF FUTURE EARNINGS ON THE DU PONT COMPANY'S INVESTMENT IN MANUFACTURE AND ALL OTHER, EXCLUSIVE OF GOODWILL AND INVESTMENT IN GENERAL MOTORS CORPORATION; ALSO ON OUR GENERAL MOTORS INVESTMENT, ASSUMPTIONS BEING MADE THAT GENERAL MOTORS CAN EARN 10%, 12½% AND 15% ON ITS GROSS ASSETS

Du Pont Company

		Investment	(6-30-21)	An Estimate of Future Earnings
Gross Assets			$275 400 000	
Less - Good will			23 800 000	
Balance of Assets			$251 800 000	
Less Investment in Gen.Mot.			75 600 000	
Invest. In Mfg. & All Other			$176 200 000	
Detail as follows:-				
Explosives(all)	- 13%	$44 200 000		$ 5 750 000
Dyes	- 8%	29 000 000		2 300 000
Harrison Products	- 6%	12 700 000		760 000
Fabrikoid	- 10%	5 800 000		580000 ~~[illegible]~~
Arlington Products	- 11%	20 300 000		2230000 ~~[illegible]~~
Parlin Chemicals	- 8.5%	4 200 000		360 000
All Other Mfg. Invest.	- 10%	7 600 000		760 000
Subsidiary & Affil. Co's.		21 000 000		1 350 000
Miscellaneous Invest. (All other than above)		31 400 000		550 000
TOTAL		$176 200 000		$14 640 000
Less - Undistributed Expense & Miscellaneous Charges				$ 4 000 000
Total Estimated Future Earnings from All Sources Other than Investment in General Motors				$10 640 000

Return on Gross Assets, exclusive of Goodwill and General Motors Investment equals - $\frac{\$10\ 640\ 000}{\$176\ 200\ 000}$ or 6%

General Motors Corporation

Gross Assets at June 30,1921	=	$551 100 000	
Common Stock Outstanding	=	20 529 000 (shares) [redacted]	
Of which, DuPont Co. owned	=	7 363 000 "	or 35.8%

Assumed Earnings on the Basis of Various Percentages on Gross Assets

		Based on 15% of Gross Assets	12½% of Gross Assets	10% of Gross Assets
Earnings before Interest Charges and Preferred Dividends		$87 200 000	$72 638 000	$58 100 000
Less:-				
Int. on $60,000,000				
Bank Loans	$3 600 000			
Pref. Dividends	6 400 000			
	$10 000 000	10 000 000	10 000 000	10 000 000
Balance for Common Stock		$77 200 000	$62 638 000	$48 100 000
or Per share on Common Stock		$3.76	$3.05	$2.34
Du Pont Co's. Portion		$27 700 000	$22 421 000	$17 200 000
% Return on Du Pont Co's. Investment		36.7%	29.7%	22.7%

EXHIBIT III

Government's Exhibit No. 167

TO: FINANCE COMMITTEE

FROM: MR. J. J. RASKOB.

Recently the duPont American Industries, Inc. which held a large block of Chevrolet Motor Company stock, surrendered that stock to the Chevrolet Motor Company for exchange of General Motors Corporation common stock, on the basis of one share of Chevrolet for 14-1/3 shares of General Motors Corporation common stock and the duPont Company likewise exchanged its Chevrolet holdings at that time. In addition to this our friends exchanged their stock, so that today the Chevrolet Motor Company is without the control of our company and its friends.

I recommend, therefore, that the Treasurer be authorized to exchange Chevrolet Motor Company stock, with such stockholders as are willing to exchange, on the basis of one share of Chevrolet Stock for 14-1/3 shares of General Motors Corporation common stock and that, as other stockholders turn their Chevrolet stock in to the Chevrolet Motor Company for exchange, the Treasurer of our Company be authorized to exchange

Government's Exhibit No. 168

Wilmington, Delaware, February 6, 1922

To: FINANCE COMMITTEE

FROM: TREASURER.

Under informal action of the Finance Committee of January 30th we have received from Chevrolet stockholders 15,802 shares of Chevrolet Motor Company stock and in payment therefor transferred 226,493 shares of General Motors Corporation common stock plus $23.33 in cash, the cash representing purchase of fractions aggregating 2⅓ shares at $10. per share.

Of the 15,802 shares of Chevrolet Motor Company received as above we have surrendered to the Chevrolet Motor Company 15,202 shares receiving in exchange 217,895 shares of General Motors Corporation common stock plus $3.33 in cash, representing the value of ⅓ of a share at $10. per share.

In this connection we will require for the Transfer Agent of General Motors Corporation resolutions of your committee approving the action of the officers of this company, and for this purpose we would suggest your passing resolutions in substantially the following form:

> "RESOLVED that the action of the officers of this company in surrendering for liquidation to the Chevrolet Motor Company 15,102 shares of Chevrolet Motor Company stock for 216,462 shares of General Motors Corporation common stock, be, and the same is hereby approved, ratified and confirmed"

and "BE IT FURTHER RESOLVED that the action of the officers of this company in surrendering for liquidation to the Chevrolet Motor Company 100 shares of Chevrolet Motor Company stock for 1,433 shares of General Motors Corporation common stock plus $3.33 in cash (the cash representing sale of 1/3 of a share of General Motors Common stock at $10. per share) be, and the same is hereby approved, ratified and confirmed".

As a result of the above we have 600 shares of Chevrolet Motor Company stock which gives us a control in that company of about 52½%.

The above is for your information.

/s/ *W. S. Carpenter Jr.*

2/11.

NOTE: "Finance Committee Secy's No. 7124" and "Received Feb 6 1922 M.D.F." are stamped at top and "Return to Executive Committee Room 9069" is stamped at bottom of page. "OK J P Laffey" is written in left margin next to resolutions. "gmc-898d" appears in lower right corner.

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Note:

Page 3397 is on Card 57

Government's Exhibit No. 178

December 29th, 1920.

TO: OFFICERS, DIRECTORS AND HEADS OF DEPARTMENT,

GENERAL MOTORS CORPORATION.

Gentlemen:

Enclosed please find copy of Organizaton Chart of our Corporation promulgated by me and approved by the Board of Directors at their meeting on December 30th.

While the Chart is quite clear, a short explanatory note might not be amiss.

It will be noted that the scheme of organization outlined divides the operations of the Corporation into three distinct major branches, viz:—

Financial
Line (Operations)
Staff (Advisory)

The Finance Committee, with its Chairman and Vice President in charge of finances, heads the Financial Division and has general charge of the finances of the parent Corporation and the various subsidiary companies, and in addition has the work of the following divisions under its jurisdiction:—

General Motors Acceptance Corporation
Stockholders Service Division
Insurance & Taxes
Employes Savings & Investment Funds
Stock Transfers

Dividends
Employes Bonus
Auditing Department
Federal Taxes
Franchise & Excise Taxes
Statistical Department
General Office Accounting Dept.
Cost Accounting

It is proposed that a Committee on Operations consisting of Mr. J. A. Haskell, Chairman, and the Managers of the following Divisions, shall have complete jurisdiction over the Corporation's operations, It is intended, however, that this in no way is to mitigate the authority which the heads of the several divisions have and must retain in order that the Corporation may enjoy the best results from the operations of these respective divisions:—

Accessory Division
Buick
Canadian Car Division
Chevrolet
Cadillac
General Motors Truck
Intercompany Parts Division
Oakland
Olds
Samson Tractor
Scripps-Booth
Sheridan Motor Car Division

It is proposed that a Staff Committee be formed, consisting of Mr. A. P. Sloan, Jr., Chairman, and the heads of

the following divisions, which will have complete charge of the Staff Divisions. These Staff Divisions have absolutely no authority over the Line Divisions, nor vice versa. The duties and responsibilities of the Staff organization will be for each of its departments to keep fully informed as to the best methods the Corporation can use in handling the matters with which they are respectively concerned and to tell their ideas to respective Line Divisions, with, as previously stated, no

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authority to impose their will or decisions on Line or other divisions:—

- Plant Engineering, Power House Construction & Operation
- Design & Research Engineering
- Advisory Purchasing Department
- Patent Department
- Personnel (Executive & Clerical)
- Traffic & Tariff
- Real Estate
- Cafeteria & Club House Operations
- Housing Operations
- Manufacturing Plant & Layout Equipment
- Organization Line & Staff
- Inter-Division Schedules
- Durant Building Corporation
- Development Department
- Welfare, Medical & Sanitary Service
- Sales Analysis & Development

In the event that the Staff Divisions and Line Divisions agree upon any policy as being for the best interests of the Corporation that policy may be adopted by passing cross

memorandums approved by the respective divisions interested, in which event such memorandums shall have the full force of an executive order.

~~In the~~ event of disagreement between the Line and Staff Divisions as to the best method or manner of handling a given problem and in the event such disagreement cannot be settled by the Line and Staff Committees, then the matter may be placed before the Executive Committee for decision.

It will be noted form the above and from the chart that the Executive Committee really consists of the Chairman of the Line and Chairman of the Staff Divisions meeting with the President and Chairman of the Finance Committee, It is my belief that 90% of all questions arising will be settled without reference

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to the Executive Committee and that the time of the Executive Committee members may be fully employed to study general results and lay down general policies for the Corporation leaving the burden of management and the carrying out of instructions to the Line, Staff and Financial Divisions.

The same relationship existing between the Line and Staff Divisions shall, of course, maintain between the Financial Division with respect to both the Line and Staff Divisions.

The success of any scheme of organization adopted by our Company will depend upon the enthusiasm and sincerity manifested by the respective heads of departments in carrying the plan out and in a company as large as ours there is little question but, that in practice, changing conditions will demand changing our Organization Chart from.

friends.

I recommend, therefore, that the Treasurer be authorized to exchange Chevrolet Motor Company stock, with such stockholders as are willing to exchange, on the basis of one share of Chevrolet Stock for 14-1/3 shares of General Motors Corporation common stock and that, as other stockholders turn their Chevrolet stock in to the Chevrolet Motor Company for exchange, the Treasurer of our Company be authorized to exchange for General Motors Corporation common stock such number of shares of Chevrolet Motor Company stock as may be held by us beyond a 45% control; this 45%, together with friendly interests, making the control of 51% or better.

Approved Jany 30. 1922

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NOTE: "Return to Executive Committee Room 9069" is stamped at bottom.

time to time and it is my intention that this shall be done as the conduct of our business demonstrates the merit of changes proposed.

(S) Pierre S. du Pont
President

It is to be noted that Messrs. Haskell and Sloan, "IN CHARGE OF OPERATIONS," are competent to settle executive questions, acting for the Executive Committee between meetings, and for the President in his absence.

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Note:

Page 3403 is on Card 57

Government's Exhibit No. 179

E. I. DU PONT DE NEMOURS & COMPANY
INCORPORATED

ADVICE OF ACTION

November 22, 1920.

Mr. P. S. duPont.

Copy to Mr. J.J.Raskob.

SUBJECT PRESIDENCY OF THE GENERAL MOTORS CORP.

ACTION TAKEN BY Finance Committee.

AT MEETING November 22, 1920.

REMARKS

The following resolution was offered and unanimously adopted:—

WHEREAS, this Company has indirectly an investment of approximately $70,000,000.00 in the General Motors Corporation; and

WHEREAS, the present conditions surrounding the General Motors Corporation necessitate the selection of a President who will, on account of his experience and standing in commercial affairs, have the respect and confidence of the banks, the investing public, and the General Motors Corporation personnel;

RESOLVED, that it is the earnest wish of this Committee that Mr. P. S. duPont accept the Presidency of

TABULATION SHOWING STATISTICS RELATING TO THE DU PONT COMPANY'S INVESTMENT IN MOTOR STOCKS

All "SHARES" and "PER SHARE" figures, except those shown under the heading "Chevrolet Common Stock Owned", are on the basis of the Chevrolet Conversion rate existing at the date specified and the present-day no-par value stock.

Year	General Motors Common Stock owned at 12-31: Shares	Cost: Per Share	Cost: Amount	Chevrolet Common Stock owned at 12-31: Shares	Cost: Per Share	Cost: Amount	Grand Total General Motors Owned at 12-31 on basis of Chevrolet Conversion Rate and no par value stock: Shares	Cost: % Owned	Cost: Per Share	Cost: Amount
1917	36 000	8.55	$ 478 992	40 200	78.34	$3 149 168	515 406	6.70	7.04	$ 3 628 160
1918	2 064 540	12.22	25 228 940	159 115	108.79	17 310 072	3 892 906	26.35	10.96	42 539 012
1919	2 395 040	13.19	31 448 181	159 115	108.79	17 310 072	4 408 995	23.74	11.06	48 758 253
1920	1 124 312	11.78	13 249 434	253 490	128.90	32 674 984	4 926 662	23.96	9.32	45 924 418
1921 (To June 30th.)	6 862 108	10.36	71 289 540	33 294	128.90	4 291 719	7 362 540	35.80	10.27	75 581 259

Year	General Motors Earnings, Available for Common Stock, Cash Dividends Paid and Additions to Surplus — Earnings: Amount	Earnings: Per Share	Cash Dividend Paid: Amount	Cash Dividend Paid: Per Share	Additions to Surplus: Amount	Additions to Surplus: Per Share
1917	$26 295 952	3.42	$*8 073 439	1.05	$11 509 393	1.50
1918	12 505 063	.88	*11 237 310	.76	(a) 24 900 545	1.69
1919	55 792 372	3.64	*17 324 541	1.13	(b) 42 232 960	2.75
1920	32 129 949	1.56	*17 893 289	.87	(c) 42 631 320	2.07
1921 (To June 30th.)	6 469 551	.31	*10 147 029	.50	(d) 3 678 478	.18

Year	Cash Dividends Received by du Pont Co. and accrued to du Pont Co. through Chevrolet Holdings — Rec'd. by duPont Co.: Amount	Rec'd.: Per Share **	duPont portion accrued thru Chevrolet: Amount	Accrued: Per Share	Grand Total: Amount	Grand Total: Per Share **	du Pont Co. Equity in General Motors Undivided Profits for the year: Amount	Equity: Per Share	Net Asset Value of General Motors Stock Owned: Amount	Net Asset: Per Share	Market Value of General Motors Common Stock: High	Market: Low
1917	$ --	--	$ --	--	$--	--	$ 771 522	1.50	$5 925 169	11.50	14-5/8	7⅞
1918	1 116 375	.54	2 335 659	1.31	3 502 034	.90	6 560 298	1.69	42 421 007	12.47	16-2/5	10-5/8
1919	2 669 430	1.12	2 299 975	1.14	4 969 405	1.13	12 137 930	2.75	66 699 682	15.13	40-5/8	11-7/8
1920	2 482 330	2.21	3 637 873	.96	6 120 204	1.24	10 213 611	2.07	78 320 170	15.90	42	12-3/4
1921 (To June 30th.)	(1) 2 167 683	.31	(2) 831 969	1.75	(3) 2 999 652	.41	1 317 042	.18	115 995 926	15.75	16-1/4	9½

(1) This includes August 1, 1921 Dividend received by du Pont Co. direct amounting to $1,720,527.

(2) This includes August 1, 1921 Dividend, representing du Pont Co.'s portion accrued through their holdings in Chevrolet amounting to $119,395.

(3) This includes August 1, 1921 Dividend received by du Pont Co. and accrued through Chevrolet Co. amounting to $1,839,922.

(a) This amount includes:

Additions through acquisition of properties	$19 432 791.67
Profit from sale of new Common Stock	4 800 000.00
	$23 232 791.67

(b) This amount includes:

Additions through acquisitions of properties and other adjustments	3 764 529.00

(c) This amount includes:

Addition arising through adjustment of no-par value Common Stock	7 625 180.00
Addition arising from sale of Common Stock in excess of $10.00 per share	33 709 915.23
	41 335 095.23
Less Stock Dividends paid on Common Stock	12 940 435.25
	28 394 659.98

(d) This amount $3,678,478 represents the difference between the amount earned on Common Stock $6,469,551 and Common Dividends paid $10,147,029. If the total "Additions to Surplus" for years 1917 to 1921 to date - June 30th, inclusive, were added together the result $117,594,740 would not check with the total Surplus at June 30, 1921 of $117,510,792 or a difference of $83,952. This difference represents an adjustment to Surplus which is not included as a loss from Operations.

* Common Stock Dividends paid by General Motors Corp.

Cash Dividends

Year 1917 -	1st three quarters	$5 779 240
	Nov. 1, 1917 - 3%	2 294 199
		8 073 439

Cash Dividends

Year 1919 -	Feb. 1 - 3%	$4 431 438
	May 1, -3%	4 128 001
	Aug. 1, -3%	4 215 147
	Nov. 1, -3%	4 549 955
		17 324 541

Cash Dividends

Year 1921 -	Feb. 1 - 2½%	$5 053 763.25
	May 1, - 2½%	5 093 266.00
		10 147 029.25

Cash Dividends

Year 1918 -	Feb. 1, 1918 - 3%	$2 292 150
	May 1, 1918 - 3%	2 292 567
	Aug. 1, 1918 - 3%	3 205 704
	Nov. 1, 1918 - 3%	3 446 989
		11 237 310

Cash Dividends

Year 1920 -	Feb. 1, - 3%	$4 734 925.60
	May 1, -25¢ sh.	4 149 015.35
	Aug. 1, -25¢ sh.	4 449 353.25
	Nov. 1, 25¢ sh.	4 559 997.00
		17 893 289.20

Stock Dividends

Year 1920 -	May 1, 2½%	$3 931 086.50	equivalent to 393 109 shares of which du Pont Co. received direct & thru their holdings in Chevrolet	145 166 shares
	- Aug. 1, 2½%	4 449 348.25	" " 444 935 " " " " " " " " " " "	145 234 "
	- Nov. 1, 2½%	4 560 000.50	" " 456 000 " " " " " " " " " " "	147 432 "
		12 940 435.25		

** Shares owned at end of year applied to Dividends received during year.

EXHIBIT "A"

5819

Development Department
January 31,1917

FINANCIAL FORECAST OF INVESTMENTS 1917 & 1918 IN THE NEW SYSTEM OF INDUSTRIES FOR UTILIZATION OF EXCESS PLANT CAPACITY
Summary of Proposed New Industries - See Report of Dec. 30, 1916 with Appended Charts for Industries I,II,IIa,IIb,III & IV.
Summary of Financial Forecast for above Industries - See Report SU-118 of January 26, 1916.

Industries & Products	See Special Topic Index Index Numbers	Process and Good Will	Plant Value of Purchased Companies	New Plant Investment	Utilization of Plant Investment	Total Investment Exclusive of Working Capital	Working Capital	Total New Investment incl. Working Cap. Excl. Plant Util.	Total Invest. Incl. Working Cap. & Plant Utilization	Expected Profit When Plants are in Regular Operation		Location of Industry	Executive Committee Actions		Remarks
													Report	Date of Action	
I. Fats and Oils															
Oil Expressing Plant	9			$1,000,000	$300,000	$1,300,000	800,000	$1,800,000	$2,100,000	12½%	260,000	Carney's Point	#6584	May 22,1916	The working cap. for these new industries will be relatively less than for Fels & Co. because this firm now employs an unusually large working cap. Furthermore the new plts. are part of a large system of allied plants, thereby reducing the stock on hand at each plant.
Soap New Plant	10,12	~~[illegible]~~	~~[illegible]~~	600,000	150,000	750,000	400,000	1,000,000	1,150,000	20 %	230,000	" "	6997	Aug.14,1916	
Soap Fels & Co.	12	$4,000,000	$1,500,000			5,500,000	2,500,000	8,000,000	8,000,000	12½%	2000,000	Philadelphia	7052	Sept.5,1916	
Fatty Acids	13	?	-	200,000	50,000	250,000	150,000	350,000	400,000	20 %	80,000	Carney's Point	7528	Dec. 4,1916	
Food Products	7	?	-	200,000	50,000	250,000	150,000	350,000	400,000	25 %	100,000	Phila. or Carney's Pt.	Oral	Dec.11,1916	
													7836	Jan.29,1917	
I & II. Paints & Varn.															
Harrison Bros. 20%	15	-	1,110,000	-	-	1,110,000	270,000	1,380,000	1,380,000	15 %	207,000	Phila. and Chicago	6584	May 22,1916	The Parlin tin can plant may be charged in part against other industries such as ethe and lacquers.
Parlin P. & V.Branch	19	-	-	300,000	75,000	375,000	150,000	450,000	525,000	15 %	79,000	Parlin	7023	Aug.21,1916	
Parlin Tin Can Plant.	37	-	-	100,000	10,000	110,000	50,000	150,000	160,000	10 %	16,000	"	7508	Dec.11,1916	
Hopewell P.& V.Branch	20	-	-	300,000	75,000	375,000	150,000	450,000	525,000	15 %	79,000	Hopewell			
Kumaron P.& V. Linoleum Cement,etc.	16	31,000	5,000	Included Above	Included Above	36,000	Included Above	36,000	36,000	-	50,000	Phila.Parlin & Hopewell	7333	Nov.13,1916	
													Appro.	Nov.20,1916	
IIa Pigments															
Harrison Bros.50%	15	-	2,775,000	-	-	2,775,000	675,000	3,450,000	3,450,000	15 %	517,500	Phila. & Camden	7508	Dec.11,1916	The working cap. is placed low inasmuch as by the end of 1918 all of the new plants will not be entirely finished nor in full operation. The working capital for 1919 would no doubt be higher than shown.
Other Color & allied Companies	18	400,000	800,000	-	-	1,200,000	800,000	2,000,000	2,000,000	15 %	300,000	-			
Furnace Pigments	18	-	-	400,000	50,000	450,000	200,000	600,000	650,000			Hopewell			
Lithopore	18	-	-	400,000	50,000	450,000	200,000	600,000	650,000			Hopewell	7467	Nov.27,1916	
		100,000	200,000	-	-	300,000	200,000	500,000	500,000	10%	293,000		7606	Dec.18,1916	
Allied Chemicals(½)	33	-	-	200,000	50,000	250,000	100,000	300,000	350,000			Hopewell			
Changes to Hopewell Power & Acid Plts.60%		-	-	180,000	500,000	780,000	-	180,000	780,000						
IIb. Water Soluble Chems.															
Organic Chemicals (Incld.Tartar Chem.& Pan)	31,30	40,000	10,000	250,000	50,000	350,000	150,000	450,000	500,000			Hopewell	7430	Nov.13,1916	
													7672	Jan. 2,1917	
Inorganic Chemicals	33	50,000	-	250,000	50,000	350,000	100,000	400,000	450,000			Hopewell	7467	Nov.27,1916	
Allied Chems.(½)	30,31,33	100,000	200,000	-	-	300,000	200,000	500,000	500,000	10%	219,000	Hopewell	7606	Dec.18,1916	Same remarks as above
~~[illegible]~~	-	-	-	200,000	50,000	250,000	100,000	300,000	350,000				7468	Nov.27,1916	
Chgs.toHopewell Plt. 30%	-	-	-	90,000	300,000	390,000	-	90,000	390,000						
Harrison Bros. 20%	15	-	1,110,000	-	-	1,110,000	270,000	1,380,000	1, 380,000	15%	207,000	Phila. & Paulsboro	7508	Dec.11,1916	
III. Organic Chemical Ind.															
Harrison Bros.10%	15	-	555,000	-	-	555,000	135,000	690,000	690,000	15%	103,500	Philadelphia	7508	Dec.11,1916	
Levenstein Ltd. 2yrs.	21	250,000	-	-	-	250,000	-	250,000	250,000						
Chlorine Manufacture	32	-	-	200,000	20,000	220,000	10,000	210,000	230,000				(6814	July 8,1916	
												Deep Water Point	(7114	Sept.25,1916	
													(Appro.	Jan. 22,1917	
Indigo Manufacture	27	-	-	1,000,000	150,000	1,150,000	300,000	1,300,000	1,460,000			Deep Water Point	(7131&7105	Sept.25,1916	Same remarks as above
													(7636	Dec.18,1916	
Selected dyes mfr.	26	-	-	1,000,000	250,000	1,250,000	320,000	1,320,000	1,570,000			Deep Water Point	7151	Sept.25,1916	
Cumaron Plants	16	-	-	50,000	10,000	60,000	10,000	60,000	70,000	20%	1,790,000	Deep Water Point	(7333	Nov.13,1916	
													(-	Aug.&Sept 1,'16.	
Organic Chem.Mfr.Parlin	24	-	-	300,000	100,000	400,000	150,000	450,000	550,000			Parlin	7310	Nov.6,1916	
Organic Chem.Mfr.D.W.Pt.	24	-	-	350,000	50,000	400,000	100,000	450,000	500,000			Deep Water Point	7310	Nov.6,1916	
Deep Water Pt. Power Plt.	-	-	-	75,000	225,000	300,000	-	75,000	300,000			Deep Water Point	None as	Yet	
Purchased Organic Chem.Co.	29	2,000,000	1,000,000	-	-	3,000,000	1,000,000	4,000,000	4,000,000				None as	Yet	
Pur.Delaware Acid Works	25	-	11,500	10,000	-	21,500	10,000	31,500	31,500			Newark,Del.	7429	Nov.13,1916	
													Appro.	Nov.20,1916	
IV. Related Industries															
Artificial SilkPlants	41	100,000	-	1,100,000	300,000	1,500,000	400,000	1,600,000	1,900,000	100%	1,900,000	Haskell	None as	Yet	
Cotton Spinning Mill	43	-	-	2,000,000	200,000	2,200,000	1,000,000	3,000,000	3,200,000	10%	333,000	Hopewell	6516	May 15,1916	
Changes to Hopewell 10%		-	-	30,000	100,000	130,000	-	30,000	130,000						
Linoleum & Oil Cloth	5,8	Not included at this time in connection with plant utilization													
Short Fibre for Paper Stock	44	-	-	-	300,000	300,000	150,000	150,000	450,000	15%	67,500	-			
Total		$7,071,000	$9,276,500	$10,785,000	$5,615,000	$30,747,500	$11,200,000	$38,332,500	$41,947,500	21%	$8,831,500				

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MOTOR VEHICLE MONTHLY July, 1924

Character and Application of Pyroxylin Enamels

Manufacture and development of "Duco." Qualities and durability of finish. How material is put on bodies. Methods used by Oakland Motor Car Co. Economies effected

By E. M. Flaherty *
Of E. I. du Pont de Nemours & Co., Wilmington, Del.

THE basis of "Duco" is a type of nitro-cellulose known as pyroxylin, and for a thorough understanding of the properties of "Duco" and the reasons for its points of difference from the usual types of finishing materials, a knowledge of the methods of manufacturing this pyroxylin will be of value.

Pyroxylin, chemically, is cellulose nitrate with a degree of nitration corresponding to a percentage of nitrogen between the approximate limits of 11 and 12.5. From 11 per cent. to 11.8 the product is employed in the so-called celluloid plastic industries, and with this we are not concerned at present. The main characteristic of this product is that it, when mixed with camphor or similar agents, is readily plasticized by heat and can be moulded into almost any shape. It is not readily soluble, however, in liquid solvents.

From this nitrogen content of 11.8 up to 12.5 the solubility of the resultant product changes radically, and we have a grade which dissolves perfectly in such solvents as acetone, amyl acetate or methyl alcohol. This grade of nitro-cellulose is the basis for the whole soluble pyroxylin industry, and is the type from which "Duco" is made. It is possible to nitrate cellulose to a still higher degree, giving an ultimate nitrogen content of about 13.5 per cent., but the products in this range are not soluble in the usual solvents, and are known as gun cottons. This degree of nitration then is the essential difference between the soluble pyroxylin and the gun cottons of the explosive industries.

Manufacture of Pyroxylin

In the manufacture of pyroxylin the basic material is cotton. For economy it has been found possible to use cotton linters, that is, the shorter fibers remaining on the cotton seed after the longer fiber has been removed for spinning into thread. These linters are usually obtained from the cottonseed mills, where they are removed from the cotton seed before crushing. In color, crude linters vary from a gray to a medium brown, due to presence of oils, wax and small particles of hull fiber. Before nitration all of these impurities must be removed completely, and purification of the linters is an elaborate one, starting with the digestion with chemicals under pressure in large steel autoclaves, followed by bleaching treatments and a series of washings to remove all traces of chemicals used. The last step in the purification is a thorough drying in a machine resembling a paper mill. At this stage the cotton has been transformed from the gray or brown linter to a snow-white product resembling absorbent cotton in appearance.

The next step is the nitration, which is the introduction into the cellulose molecule of No. 2 groups, supplied by nitric acid. In this reaction sulphuric acid is present as a catalytic agent. The nitration is performed in steel tanks known as mechanical dippers, the cotton being introduced on the surface of the acid mixture and by means of rotating paddles immediately submerged. After the nitration has proceeded for the required length of time the entire mixture of cotton and acid is discharged into a centrifugal wringer, by means of which most of the acid is removed from the nitrated cotton. This acid is recovered for re-use. Following the acid removal, the cotton, still containing a great deal of mixed acid not removed by the centrifugal action of the wringer, is boiled with frequent changes of water in large wooden tubs. This boiling and washing is carried on until very delicate chemical tests show that the nitro-cellulose has attained a chemical stability sufficient to insure extremely long life of the product made from it. In our own work we perhaps carry this attainment of maximum stability to a point far beyond that which is necessary, but we do this as a result of the training most of us have had in manufacturing nitro-cellulose and nitro-cellulose powders for the U. S. Navy; as the navy officers used to tell us: "We have to sleep over this powder and we want to know that everything possible has been done to make it stable." We use the same methods and the same delicate tests in all our pyroxylin work as we worked out for the navy specifications.

It may be interesting to note here that starting with the crude linters and ending with the nitrated cellulose, or pyroxylin, it requires about 200 gallons of water in the chemical treatments given each pound of cotton, and several days are required for the complete cycle.

Our pyroxylin is now at a stage where it is readily soluble in the various solvents mentioned above, but still contains on the surface and in the microscopic canals of the fiber a large amount of water, which must be removed before mixing the cotton with solvent. This removal of water, or dehydration, as it is termed, is accomplished by displacement of the water with alcohol in large hydraulic presses. A measured volume of alcohol is forced under 3,000 pounds' pressure into and through the cotton, the effect of which is to push out ahead of it practically all the water in the fiber, leaving alcohol in its place. Alcohol mixes readily with all of the solvents used in the industry, and therefore the cotton containing the alcohol can be employed in any type solution we may wish.

It will be noted that in the cycle ined above the pyroxylin is never dry at any point. As we remove the water we automatically replace it with alcohol, and in this manner there is no particular hazard in handling the product.

It was felt that this description, although necessarily brief, would aid in the subsequent presentation of the properties of "Duco," and accordingly it has been included.

Pyroxylin as prepared above is then dissolved in amyl acetate, for instance, and the solution filtered. This type solution, either by itself or mixed with a small amount of gums or resins is a type of clear lacquer with which most of you are familiar. It is used for depositing a transparent, almost invisible coating on highly polished silver, brass or other objects to protect the metal from tarnishing. Such lacquers in appeara resemble glycerin in consistency, but, p..aps, are slightly yellow in appearance as compared with pure glycerin. This type of lacquer was the original use of soluble p roxylin in industry. Collodion a mixture pyroxylin in alcohol and ether, was anoth early use.

History of Pyroxylin Enamels

A later development involved the incorporation in such lacquers of finely-ground pigments, which produced a very popular product known as pyroxylin enamels. These have been in use for many years, and you undoubtedly have many examples of them in your home and in the accessories used in the assembling of the main products of your factories. Such objects as bath-room fixtures, metal and wooden pencils, metallic lamp stands, hardware on closed automobile bodies, and an almost endless list of smaller metal objects are commonly finished with these pyroxylin enamels. They appeal to the manufacturer, not only because of the pleasing and durable finish they impart, but still more because of the rapidity with which they can be applied. The solvents used for pyroxylin are readily volatile

* Paper read by Mr. Flaherty under title of "Pyroxylin Enamels."

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at room temperature, and a cost of such an enamel when applied by air spray or by simple dipping dries with a speed which at first acquaintance seems almost incredible to one accustomed to the time required between coats of other finishes depending upon the oxidization of linseed oil for their drying. One of the main properties of "Duco" is its durability, and as this is explained partly by the fundamental difference in the way it dries as compared with the linseed-oil products; a few words on this distinction are in order at this point.

You have heard how pyroxylin is made and dissolved in solvents, colors being added to produce the opaque enamels. When a film of this liquid enamel is exposed to the air these solvents immediately begin to evaporate, and in a short time have gone off entirely into the air. This leaves a hard, tough film of pyroxylin containing there'n the minute particles of pigment, and once the solvents have evaporated no further change takes place. The pyroxylin and the pigment just as we put them in our mixture are now on the surf of the object we are coating. With th. .inseed-oil type finishes, however, there is a continuous chemical reaction taking place, once the oil is exposed to the air, and the oxidization or polymerization of the linseed or other vegetable oil used as the vehicle in these finishes continues indefinitely, probably not being complete until months have elapsed. This means a continuous chemical change in the film, and while the subject is still under investigation, it seems very probable that the progress of the oxidation brings with it an increase in the brittleness of the film. Briefly stated, varnish and paint products dry by oxidization, and pyroxylin solutions dry by evaporation.

Enamels for Car Finishing

A number of years ago various investigato in the pyroxylin industry had the t nt that these pyroxylin enamels, because of certain desirable properties they possessed in addition to the ease and speed of application, could be employed to advantage in finishing automobiles. A very high-grade, expensive type of pyroxylin enamel, known as "Pyralin" enamel has been manufactured by the Du Pont company for many years, and the first commercial use in the automobile refinishing industry of pyroxylin products was the employment of these "Pyralin" enamels in certain refinishing shops in California. It was found that these enamels, while not possessing much body themselves, could be used over a certain type of priming coat which was worked out especially for them, and by applying a sufficient number of coats a very satisfactory automobile finish was the result. This finish had the advantage of being easily cared for and would stand several years' hard service in the hot sun and alkali dust of the desert without appreciable deterioration, although other finishing materials would break down in a month or two under similar conditions. In addition, the finish could be cleaned with remarkable ease, since it was so hard it did not readily scratch, and dust, or even caked mud, could be wiped off with a dry cloth without injury. The finish did not have the high gloss of finishing varnish, but had a characteristic satin luster, which to many was even more attractive, especially as it was permanent.

Development of Covering Power

This successful use of a pyroxylin enamel in the refinishing trade naturally focussed attention on the possibility of adapting it to the original finishing of new automobiles in the factories, but the process had one serious drawback, which for a long time seemed insurmountable. Pyroxylin solutions at that time were mainly volatile solvents, the actual amount of pyroxylin or other solid materials in them being relatively small. This meant that to deposit from such a solution a film of sufficient hiding power to produce the solid built-up color desired, such a great number of coats was necessary that the process was not a practical one. The obvious answer seemed to be to put more solid matter into the solution. Now pyroxylin has the property of imparting a relatively high viscosity to solutions containing only a small amount of it. When an attempt was made to increase the amount of pyroxylin in the solution, in order to give it more covering power, the viscosity increased to such a degree that the solution was too stiff to work. It was felt if we could incorporate about three times the regular amount of solid matter in our solutions we would have the answer to the question of covering or hiding power, but before we were able to do this successfully several years of painstaking chemical research in our laboratory were necessary. Finally, a method was discovered which permits us to put into our solutions at least three times the amount of pyroxylin, which is the film-forming constituent, as was ever done before and yet not make the solution too thick or viscous to be used in the spray gun or the dipping tank. Once this problem had been solved the big obstacle in our way had been surmounted, but, of course, there were many things yet to be worked out.

After nearly two years more of intensive work in our laboratories and the factories of one of the large automobile companies, practical methods for the use of "Duco" in the automotive industry were perfected.

At this point we should like to acknowledge our indebtedness to many members of the Society of Automotive Engineers for the patient and valuable co-operation given us in working up the "Duco" system. At the start we knew almost nothing about what an automobile finish had to be or which methods of applying it were practical and which were impractical from efficient production viewpoints. We found the engineers and the plant superintendents of the various automobile companies with whom we have been working a progressive, intelligent, broad-minded group of men, always eager to improve their product or their methods, and from the knowledge we have been privileged to obtain of the ability and energy of these men it is not hard to understand how in less than a generation the automobile has developed from the one-cylinder horseless carriage to the multi-cylinder masterpiece of today. We are proud that it has been our privilege to contribute an improvement in finishing methods and materials in keeping with the engineering triumphs that have marked the phenomenal progress of the automobile industry.

Now we may consider briefly, first the properties of "Duco," and finally the methods of using it as well as the result in one large factory which has been using "Duco" exclusively since August, 1923.

Properties of "Duco" Finish

The car owner who buys an automobile finished in "Duco" has several new experiences in store for him if he has previously owned or taken care of a car with the varnish-type finish. In the first place, the day he gets his car the finish is just as easy to handle as it ever will be, and no special precautions of avoiding dust or rain or sunlight need to be taken while the car is new. Two or three hours after the last coat of "Duco" was applied in the factory the finish is hard, perfectly dry, tough and durable. Dust will not stick to it, water, oil, battery acid, harsh soap, road tar or mud will not injure it. In fact, except a serious collision, there is practically nothing which can happen to an automobile which will harm the "Duco" finish. If this car has the straight "Duco" finish, that is, with no varnish as a top coat, it will present a pleasing satin luster, which the owner will find gradually improves with the age of the car instead of deteriorating rapidly with exposure to sunlight and washing, as the usual type of finish does. He will find that when he does wash the car, mud and dust come off just as readily as from glass, leaving no marks of any kind. With ordinary care, he will find that at the end of the first year, instead of needing a refinishing job, his car still has its original appearance, the only change, perhaps, being an actual improvement in the luster. This means an almost complete elimination of customers' complaints on finish, and many of this audience are in a position to know what a great proportion of complaints now received by the automobile manufacturers concern the finish.

The distributor of automobiles will appreciate this improvement, as he is the first to receive the customers' kicks, and many times, when he is waiting for a shipment from the factory to satisfy impatient purchasers he has had the sad experience of having his factory cars on their arrival need immediate refinishing, either because they have been marred in transit by freight or so coated with mud when driven over the roads that the varnish has been ruined. "Duco" stands the ordinary hazards of freight transportation perfectly, and it has been found that even when the body of a car has been dented by accident it can be bumped out again without injuring the "Duco." In connection with cars driven over the road, one

(Continued on page 38)

3880

Defendant's Exhibit (DP) No. 215

AN EPOCH-MAKING DISCOVERY—A NEW FINISH FOR MOTOR CARS

The makers of OAKLAND cars now advertise that every 1924 OAKLAND is Duco-finished. In addition, the following manufacturers are prepared to finish their cars with Duco when requested—CADILLAC, CLEVELAND, FRANKLIN, LEXINGTON, MARMON, MOON. A dozen more are arranging to do so, as a result of conclusive service tests.

AFTER TWENTY-ONE MONTHS OF SEVERE SERVICE, DUCO FINISH LOOKS BETTER THAN EVER

Gives Rich, Satin-like Lustre Hitherto Available Only On Custom-made Bodies — Used in 20 Other Industries As Well.

Since the days of the first "horseless carriage," every important feature of the automobile has been radically changed—*except the finish*.

For years a surfacing material has been sought that would combine two basically different virtues—*beauty* and *permanence*.

At last, a finish which actually does combine these qualities has been perfected on a commercial scale. After years devoted to research and tests, du Pont Chemical Engineers announce Duco—an entirely new type of material with entirely new characteristics.

In appearance, Duco possesses a beautiful, satin-like lustre very similar to ancient Chinese lacquer-ware—richer in tone than anything yet attained in the finishing art, except through the most costly processes.

Actually Improves with Age!

Even more remarkable than its beauty is the extraordinary durability of Duco. The lustre of the finish *actually improves with age*. The color *does not fade*. The hard, smooth surface is practically immune to the effects of rain, snow, sudden changes in temperature, grease, grime, even the alkali dust of the desert. Bumps and scratches do not seriously affect it.

The first Duco-finished test cars, "driven to death" (supposedly) for twenty-one months, actually look better today than when rolled off the finishing floor. Even the hoods have retained their original color tone and lustre.

A Duco-finished car can be left out in any kind of weather, with no effect on its finish. Day after day of hot sunlight will not fade it. Removing dust or mud by rubbing with a dry cloth actually *polishes* its surface — without scratching.

Duco is built on a pyroxylin base by an entirely new process. It dries almost immediately. Hence its use results in a material saving in time, labor and investment. No baking is required.

Applied by Dip or Spray Only

Duco must be applied by compressed air spraying equipment or mechanical dipping. It is therefore not adapted for application by the car owner. Duco Refinishing Stations are being established as rapidly as possible.

Duco is already being used in 21 industries—to beautify and preserve almost any material from wood to steel.

We invite all manufacturers of products which require a finish of lasting beauty which will stand up under severe service, to investigate Duco. Our technical laboratories are at their disposal and our representatives are available for a limited number of demonstrations.

E. I. du Pont de Nemours & Co., Inc.
Chemical Products Division
Parlin, N. J.

DU PONT DUCO

Defendant's Exhibit (DP) No. 281

6210

COMPARISON OF PASSENGER CAR PRODUCTION WITH POSSIBLE POTENTIAL IN AUTO FIELD

11 MONTHS - 1930

MAKE	PRODUCTION OF PASSENGER CARS 1930: 1ST 9 MOS.	OCTOBER	NOVEMBER	DECEMBER ESTIMATED PRODUCTION OF CARS	YARDS OF POTENTIAL TO DATE 1930: WHERE FABRIC NOW USED	WHERE FABRIC COULD BE USED	TOTAL POSSIBLE POTENTIAL	DU PONT SALES FABRIKOID DIVISION, YARDS: FAIRFIELD	[illegible]	% OF FABRIC BUSINESS SECURED BY DU PONT
American Austin	9 839	380	300		65 428	14 765	80 193	9 935		15.2
Auburn Cord	13 100	305	250	150	84 871	19 130	104 001			
Buick	96 643	11 171	7 177	4 100	714 402	161 000	875 402	211 130	169 074	53.2
Cadillac-La Salle	17 391	3 000	1 410	600	135 452	52 326	187 778	67 644	9 565	57.0
Chevrolet	636 400	3 100	39 000	52 000	4 499 000	727 000	5 226 000	1 079 479	271 680	30.0
Chrysler	58 465	3 203	1 519		392 960	94 818	487 778	46 480		11.8
De Soto	34 337	769	1 039		224 606	50 570	275 176			
Dodge	66 000	4 000	1 800		524 670	23 775	548 445			
Durant	24 000	1 100	750		161 610	36 425	198 035	8 296		5.1
Ford	1 144 000	60 000	33 800	100 000	7 806 300	1 739 500	9 545 800	1 467 014	24 956	19.1
Franklin	6 152	450	592		44 742	10 075	54 817		1 000	2.3
Gardner	2 762	150	150		19 035	4 290	23 325			
Graham Paige	31 000	2 600	1 450		8 747	1 597	10 344			
Hudson Essex	103 280			8 000	752 240	34 100	786 340			
Hupmobile	21 419	767	823		164 547	31 940	196 487			
Jordan	1 514	65	55		10 155	2 290	12 445	30		
Lincoln	4 445				27 623	6 230	33 853			
Marmon	11 912	786	600		86 624	18 615	105 239	9 716	15 364	29.1
Moon Ruxton	2 340	190			15 727	3 545	19 272			
Nash	49 503	8 500	3 500	2 250	[illegible] 403	95 200	477 503	14 769	2 108	4.4
Oakland Pontiac	76 033		1 494	9 000	559 459	108 600	668 059	82 046	52 928	20.5
Olds-Viking	46 783	2 500		2 200	306 458	69 080	375 538	18 778	18 231	11.4
Packard	25 100	2 850	1 800	1 000	184 875	41 670	226 545	7 583		4.1
Peerless	3 015	325	350		35 382	13 665	49 047			
Pierce Arrow	6 414	400	350	260	44 547	17 209	61 756	11 707	7 067	42.0
Plymouth	66 334	3 075	1 918		443 165	99 925	543 090			
Reo	11 000	2 000	800	600	84 545	32 635	117 180	5 400		6.4
Studebaker	50 000	4 450	2 600	3 300	345 740	85 900	431 640	18 367	1 000	5.6
Willys	73 300	3 250	3 750	7 600	509 770	115 000	624 770	2 272		.4
Total G.M. (included above)	873 250	19 771	49 081		6 214 771	1 118 006	7 332 777	1 437 077	521 478	31.5
Total Ford	1 148 445	60 000	33 800		7 832 923	1 745 730	9 579 653	1 467 014	24 956	19.1
Total Chrysler	225 136	11 047	6 276		1 585 401	269 088	1 854 489	46 480		2.9
GRAND TOTAL	2 694 481	119 386	107 077		18 635 083	3 710 875	22 345 958	3 038 646	618 806	16.4

Government's Exhibit No. 177

GENERAL MOTORS CORPORATION
MEMBERS OF BOARD OF DIRECTORS AND PRINCIPAL EXECUTIVE OFFICES HELD AND OFFICERS WHO WERE NOT DIRECTORS
1917-1948

(REFLECTING ALL CHANGES UP TO AND INCLUDING DECEMBER 6, 1948)

Government's Exhibit No. 177

GENERAL MOTORS CORPORATION
MEMBERS OF BOARD OF DIRECTORS AND PRINCIPAL EXECUTIVE OFFICES HELD AND OFFICERS WHO WERE NOT DIRECTORS
1917-1948

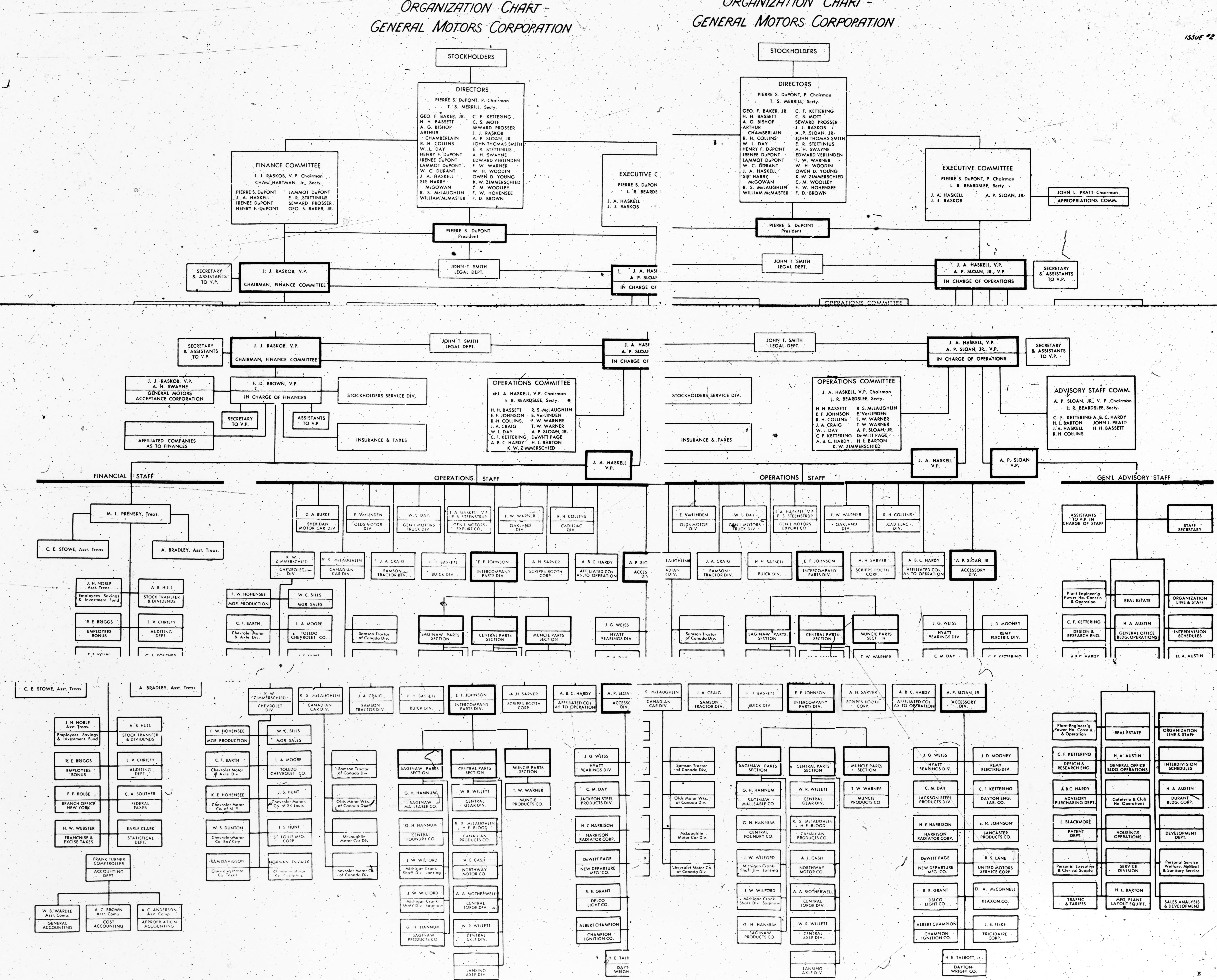
(REFLECTING ALL CHANGES UP TO AND INCLUDING DECEMBER 6, 1948)

DIRECTORS AND OFFICERS	DIRECTOR		OFFICER			CURRENT COMMITTEES: OPERATIONS POLICY COMMITTEE (EST. 6/3/46)		FINANCIAL POLICY COMMITTEE (EST. 6/3/46)		ADMINISTRATION COMMITTEE## (EST. 5/3/37)		SUPERSEDED COMMITTEES**: POLICY COMMITTEE (5/3/37 TO 6/3/46)		EXECUTIVE COMMITTEE (2/21/18 TO 5/3/37)		FINANCE COMMITTEE (8/23/17 TO 5/3/37)	
	FROM	TO		FROM	TO	FROM	TO	FROM	TO	FROM	TO	FROM	TO	FROM	TO	FROM	TO
THOMAS P. ARCHER	AUG. 7, 1944	•	VICE PRESIDENT	MAR. 1, 1943	•	JUN. 3, 1946	•			AUG. 7, 1944	•						
GEORGE F. BAKER	JUL. 15, 1920	MAY 30, 1937														JUL. 15, 1920	MAY 3, 1937#
H. M. BARKSDALE	JUN. 27, 1918	NOV. 7, 1918														JUN. 27, 1918	NOV. 7, 1918
H. H. BASSETT	MAY 1, 1919	OCT. 17, 1926	VICE PRESIDENT	MAY 1, 1919	OCT. 17, 1926									MAY 1, 1919 SEP. 25, 1924	JAN. 13, 1921 OCT. 17, 1926		
A. G. BISHOP	AUG. 22, 1917	JAN. 22, 1944	VICE PRESIDENT	AUG. 23, 1917	MAY 1, 1930												
ALBERT BRADLEY	NOV. 6, 1933	•	VICE PRESIDENT EXECUTIVE VICE PRESIDENT	MAY 9, 1929 NOV. 2, 1942	NOV. 2, 1942 •	JUN. 3, 1946	•	CHAIRMAN JUN. 3, 1946	•	MEMBER MAY 3, 1937 VICE CHAIRMAN MAY 5, 1941	• MAY 4, 1942	MAY 3, 1937	JUN. 3, 1946#	AUG. 6, 1934	MAY 3, 1937#	NOV. 6, 1933	MAY 3, 1937#
DONALDSON BROWN	MEMBER DEC. 30, 1920 VICE CHAIRMAN MAY 3, 1937	• JUN. 3, 1946	VICE PRESIDENT VICE CHAIRMAN	DEC. 30, 1920 MAY 3, 1937	MAY 4, 1942 JUN. 3, 1946			JUN. 3, 1946	•	MAY 4, 1942	JUN. 4, 1945	MEMBER MAY 3, 1937 VICE CHAIRMAN MAY 4, 1942	JUN. 3, 1946# JUN. 3, 1946#	SEP. 25, 1924	MAY 3, 1937#	MEMBER JAN. 13, 1921 CHAIRMAN MAY 9, 1929	MAY 3, 1937# MAY 3, 1937#
FRANCIS L. BURKE	AUG. 2, 1948	•	VICE PRESIDENT	JUN. 4, 1945	•	AUG. 2, 1948	•			JUN. 4, 1945	•						
WALTER S. CARPENTER, JR.	FEB. 10, 1927	•						JUN. 3, 1946	•			MAY 3, 1937	JUN. 3, 1946#			FEB. 10, 1927	MAY 3, 1937#
ARTHUR CHAMBERLAIN	APR. 28, 1920	JAN. 1, 1923															
W. P. CHRYSLER	AUG. 22, 1917	MAR. 25, 1920	VICE PRESIDENT	AUG. 3, 1917	MAR. 25, 1920									FEB. 21, 1918	MAR. 25, 1920		
R. H. COLLINS	AUG. 22, 1917	JUN. 30, 1921	VICE PRESIDENT	AUG. 3, 1917	JUN. 30, 1921									FEB. 21, 1918	JAN. 13, 1921		
CURTIS C. COOPER	AUG. 11, 1927	APR. 30, 1930	PRESIDENT, GMAC	MAR. 24, 1921	OCT. 14, 1929												
LAMMOT DUP. COPELAND	SEP. 5, 1944	•															
MARVIN E. COYLE	APR. 27, 1937	•	VICE PRESIDENT EXECUTIVE VICE PRESIDENT	MAY 3, 1937 JUN. 3, 1946	JUN. 3, 1946 •	JUN. 3, 1946	•			MAY 4, 1942	•						
HARLOW H. CURTICE	AUG. 5, 1940	•	VICE PRESIDENT EXECUTIVE VICE PRESIDENT	MAY 6, 1940 †SEP. 13, 1948	NOV. 1, 1948 •	JUN. 3, 1946	•			MAY 4, 1942	•						
W. L. DAY	AUG. 22, 1917	MAY 13, 1925	VICE PRESIDENT	AUG. 3, 1917	AUG. 13, 1925									FEB. 21, 1918	JAN. 13, 1921		
FREDERIC G. DONNER	JAN. 5, 1942	•	VICE PRESIDENT	JUL. 7, 1941	•	JUN. 3, 1946	•	JUN. 3, 1946	•	JUL. 7, 1941	•						
LEWIS W. DOUGLAS	DEC. 4, 1944	•															
HENRY B. DU PONT	OCT. 3, 1938	•															
H. F. DU PONT	FEB. 21, 1918	SEP. 5, 1944														FEB. 21, 1918	MAY 3, 1937#
IRENEE DU PONT	FEB. 21, 1918	SEP. 6, 1938														FEB. 21, 1918	MAY 3, 1937#
LAMMOT DU PONT	MEMBER NOV. 7, 1918 CHAIRMAN FEB. 7, 1929	JUN. 3, 1946 MAY 3, 1937	CHAIRMAN	FEB. 7, 1929	MAY 3, 1937							MAY 3, 1937	JUN. 3, 1946#	FEB. 6, 1930	FEB. 5, 1934	NOV. 7, 1918	MAY 3, 1937#
PIERRE S. DU PONT	MEMBER AUG. 22, 1917 CHAIRMAN AUG. 23, 1917	AUG. 7, 1944 FEB. 7, 1929	PRESIDENT CHAIRMAN	NOV. 30, 1920 AUG. 23, 1917	MAY 10, 1923 FEB. 7, 1929									MEMBER JAN. 13, 1921 CHAIRMAN JAN. 13, 1921	FEB. 7, 1929 MAY 10, 1923	AUG. 23, 1917	MAY 3, 1937#
W. C. DURANT	AUG. 22, 1917	APR. 20, 1921	PRESIDENT	AUG. 23, 1917	NOV. 30, 1920									MEMBER FEB. 21, 1918 CHAIRMAN FEB. 21, 1918	JAN. 13, 1921 JAN. 13, 1921	AUG. 23, 1917	JAN. 13, 1921
ANGUS B. ECHOLS	AUG. 7, 1944	•						DEC. 1, 1947	•								
DONALD K. EVANS	JUN. 3, 1946	•	VICE PRESIDENT	AUG. 3, 1936	•	JUN. 3, 1946	•			MAY 3, 1937	•						
CHARLES T. FISHER	SEP. 25, 1924	NOV. 5, 1934	VICE PRESIDENT	MAY 12, 1927	NOV. 5, 1934									SEP. 25, 1924	NOV. 5, 1934		
EDWARD F. FISHER	APR. 28, 1942	•	VICE PRESIDENT	DEC. 2, 1940	AUG. 7, 1944					MAY 4, 1942	AUG. 7, 1944						
FRED J. FISHER	JUN. 30, 1921	NOV. 5, 1934	VICE PRESIDENT	FEB. 9, 1925	NOV. 5, 1934									NOV. 16, 1922	FEB. 5, 1934	SEP. 25, 1924	NOV. 5, 1934
LAWRENCE P. FISHER	SEP. 25, 1924	•	VICE PRESIDENT	FEB. 9, 1925	AUG. 7, 1944					MAY 3, 1937	MAY 4, 1942			SEP. 25, 1924	MAY 3, 1937#		
WILLIAM A. FISHER	FEB. 10, 1927	APR. 28, 1942	VICE PRESIDENT	FEB. 10, 1927	MAY 4, 1942												
LOUIS C. GOAD	JUN. 3, 1946	•	VICE PRESIDENT	JUN. 7, 1943	•	JUN. 3, 1946	•			JUN. 4, 1945	•						
EDWARD R. GODFREY	AUG. 2, 1948	•	VICE PRESIDENT	JAN. 6, 1947	•	AUG. 2, 1948	•			APR. 5, 1948	•						
RICHARD H. GRANT	NOV. 5, 1934	•	VICE PRESIDENT	MAY 9, 1929	FEB. 7, 1944					MAY 3, 1937	MAY 4, 1942			AUG. 5, 1935	MAY 3, 1937#		
GEO. H. HANNUM	APR. 19, 1922	MAY 13, 1925	VICE PRESIDENT	JUN. 30, 1921	AUG. 13, 1925												
A. B. C. HARDY	APR. 19, 1922	MAY 13, 1925	VICE PRESIDENT	JUN. 30, 1921	AUG. 13, 1925												
J. A. HASKELL	AUG. 22, 1917	SEP. 9, 1923	VICE PRESIDENT	JUN. 27, 1918	SEP. 9, 1923									FEB. 21, 1918	SEP. 9, 1923	FEB. 21, 1918	SEP. 9, 1923
F. W. HOHENSEE	JUN. 27, 1918	JAN. 13, 1921	VICE PRESIDENT	MAY 1, 1919	JAN. 13, 1921									JUN. 27, 1918	JAN. 13, 1921		
ORMOND E. HUNT	NOV. 5, 1934	•	VICE PRESIDENT EXECUTIVE VICE PRESIDENT	MAY 9, 1929 NOV. 2, 1942	NOV. 2, 1942 •	JUN. 3, 1946	•			MAY 3, 1937	•	AUG. 5, 1940	JUN. 3, 1946#	AUG. 5, 1935	MAY 3, 1937#		
EARLE F. JOHNSON	JAN. 7, 1946	•	VICE PRESIDENT	JUL. 6, 1942	DEC. 31, 1945					NOV. 2, 1942	DEC. 31, 1945						
L. G. KAUFMAN	AUG. 22, 1917	APR. 25, 1939														MEMBER AUG. 23, 1917 CHAIRMAN AUG. 23, 1917	FEB. 21, 1918 FEB. 21, 1918
CHARLES F. KETTERING	DEC. 30, 1920	•	VICE PRESIDENT	JAN. 13, 1921	JUN. 2, 1947												
WILLIAM S. KNUDSEN	APR. 16, 1924 JUL. 2, 1945	SEP. 3, 1940 APR. 27, 1948	VICE PRESIDENT EXECUTIVE VICE PRESIDENT PRESIDENT	APR. 22, 1924 OCT. 16, 1933 MAY 3, 1937	OCT. 16, 1933 MAY 3, 1937 SEP. 3, 1940					MEMBER MAY 3, 1937 CHAIRMAN MAY 1, 1939	SEP. 3, 1940 SEP. 3, 1940	MAY 3, 1937	SEP. 3, 1940	MAY 9, 1929	MAY 3, 1937#		
BAYARD D. KUNKLE	JUN. 7, 1948	•	VICE PRESIDENT	MAY 1, 1939	•	JUN. 7, 1948	•			MAY 1, 1939 FEB. 1, 1943	MAY 4, 1942 •						
J. H. MCCLEMENT	AUG. 22, 1917	APR. 28, 1920														AUG. 23, 1917	MAR. 21, 1918
LORD MCGOWAN	APR. 28, 1920	APR. 2, 1945															
R. S. MCLAUGHLIN	NOV. 7, 1918	•	VICE PRESIDENT	DEC. 31, 1918	•									NOV. 7, 1918	JAN. 13, 1921		
WILLIAM MCMASTER	APR. 28, 1920	MAY 5, 1930															
RICHARD K. MELLON	JAN. 5, 1948	•															
JAMES D. MOONEY	NOV. 8, 1923 MAR. 5, 1945	JAN. 5, 1942 DEC. 31, 1945	VICE PRESIDENT	NOV. 16, 1922 MAR. 5, 1945	JAN. 5, 1942 DEC. 31, 1945					MAY 3, 1937 MAR. 5, 1945	JAN. 5, 1942 DEC. 31, 1945			AUG. 5, 1935	MAY 3, 1937#		
JUNIUS S. MORGAN, JR.	SEP. 30, 1925	DEC. 1, 1941														SEP. 30, 1925	MAY 3, 1937#
C. S. MOTT	AUG. 22, 1917	•	VICE PRESIDENT	AUG. 23, 1917	MAY 3, 1937									NOV. 16, 1922	MAY 9, 1929	MAY 9, 1929	MAY 3, 1937#
FRITZ OPEL	MAY 8, 1929	AUG. 30, 1938															
DEWITT PAGE	APR. 18, 1923	FEB. 26, 1940	VICE PRESIDENT	APR. 19, 1923	MAY 3, 1937												
JOHN L. PRATT	APR. 18, 1923	•	VICE PRESIDENT	NOV. 16, 1922	MAY 3, 1937			JUN. 3, 1946	•					MAY 13, 1920 SEP. 25, 1924	JAN. 13, 1921 MAY 3, 1937#		
SEWARD PROSSER	JUL. 15, 1920	JUN. 3, 1940														JUL. 15, 1920	MAY 3, 1937#
ARTHUR B. PURVIS	JUN. 2, 1930	DEC. 4, 1939															
J. J. RASKOB	AUG. 22, 1917	MAR. 4, 1946	VICE PRESIDENT	DEC. 31, 1918	MAY 9, 1929									JAN. 13, 1921	AUG. 9, 1928	MEMBER AUG. 23, 1917 CHAIRMAN FEB. 21, 1918 MEMBER MAY 9, 1929	AUG. 9, 1928 AUG. 9, 1928 MAY 3, 1937#
H. H. RICE	APR. 19, 1922	MAY 13, 1925	TREASURER VICE PRESIDENT	AUG. 3, 1917 JUL. 10, 1919	JUL. 10, 1919 AUG. 13, 1925												
JOHN J. SCHUMANN, JR.	NOV. 5, 1934	•	PRESIDENT, GMAC	OCT. 1?, 1929	•												
ALFRED P. SLOAN, JR.	MEMBER NOV. 7, 1918 CHAIRMAN MAY 3, 1937	• •	VICE PRESIDENT PRESIDENT CHAIRMAN	DEC. 31, 1918 MAY 10, 1923 MAY 3, 1937	MAY 10, 1923 MAY 3, 1937 •			JUN. 3, 1946	•	MEMBER MAY 3, 1937 CHAIRMAN MAY 3, 1937 CHAIRMAN MAY 4, 1942	JUN. 4, 1945 MAY 1, 1939 JUN. 4, 1945	MEMBER MAY 3, 1937 CHAIRMAN MAY 3, 1937	JUN. 3, 1946# JUN. 3, 1946#	MEMBER NOV. 7, 1918 CHAIRMAN MAY 10, 1923	MAY 3, 1937# MAY 3, 1937#	APR. 25, 1922	MAY 3, 1937#
JOHN THOMAS SMITH	MAR. 25, 1920	SEP. 28, 1947	VICE PRESIDENT	MAR. 25, 1920	JUN. 2, 1947			JUN. 3, 1946	JUN. 28, 1947	MAY 4, 1942	JUN. 4, 1945	MAY 3, 1937	JUN. 3, 1946#	MAY 9, 1929	MAY 3, 1937#		
EDWARD R. STETTINIUS, SR.	JUL. 15, 1920	SEP. 3, 1925														JUL. 15, 1920	SEP. 3, 1925
A. H. SWAYNE	JAN. 13, 1921	APR. 16, 1937	VICE PRESIDENT	JAN. 13, 1921	APR. [illegible], 1937												
EDWARD VERLINDEN	AUG. 22, 1917	APR. 19, 1922	VICE PRESIDENT	AUG. 23, 1917	APR. 25, 1922									FEB. 21, 1918	JAN. 13, 1921		
F. W. WARNER	AUG. 22, 1917	SEP. 22, 1921	VICE PRESIDENT	AUG. 23, 1917	SEP. 22, 1921									FEB. 21, 1918	JAN. 13, 1921		
GEORGE WHITNEY	SEP. 25, 1924	•						JUN. 3, 1946	•			MAY 3, 1937	JUN. 3, 1946#			SEP. 25, 1924	MAY 3, 1937#
CHARLES E. WILSON	NOV. 5, 1934	•	VICE PRESIDENT EXECUTIVE VICE PRESIDENT ACTING PRESIDENT PRESIDENT	MAY 9, 1929 MAY 1, 1939 JUN. 18, 1940 JAN. 6, 1941	MAY 1, 1939 JUN. 18, 1940 JAN. 6, 1941 •	CHAIRMAN JUN. 3, 1946	•	JUN. 3, 1946	•	MEMBER MAY 3, 1937 VICE CHAIRMAN MAY 1, 1939 ACTING CHAIRMAN JUN. 18, 1940 CHAIRMAN JAN. 6, 1941 VICE CHAIRMAN MAY 4, 1942 CHAIRMAN JUN. 4, 1945	• JUN. 18, 1940 JAN. 6, 1941 MAY 4, 1942 JUN. 4, 1945 •	MAY 3, 1937	JUN. 3, 1946#	AUG. 5, 1935	MAY 3, 1937#		
WM. H. GOODIN	JUL. 15, 1920	AUG. 11, 1927															
C. M. WOOLLEY	JUL. 15, 1920	JUN. 6, 1938															
OWEN D. YOUNG	JUL. 15, 1920	AUG. 1, 1938															
K. W. ZIMMERSCHIED	DEC. 30, 1920	APR. 18, 1923	VICE PRESIDENT	DEC. 30, 1920	APR. 19, 1923												
OFFICERS (EXCLUDING ASSISTANT OFFICERS) WHO ARE NOT DIRECTORS																	
ANTHONY C. ANDERSON			COMPTROLLER	MAY 4, 1936	FEB. 22, 1947												
HARRY W. ANDERSON			VICE PRESIDENT	JAN. 5, 1942	•					JAN. 5, 1942	MAY 4, 1942						
WILLIAM F. ARMSTRONG			VICE PRESIDENT	AUG. 7, 1944	•					SEP. 13, 1948	•						
IRVING B. BABCOCK			VICE PRESIDENT	OCT. 4, 1943	JAN. 8, 1945												
OLLIE V. BADGLEY			VICE PRESIDENT	JAN. 6, 1947	•												
LISLE R. BEARDSLEE			SECRETARY	JAN. 3, 1930	NOV. 3, 1947												
ERNEST R. BREECH			VICE PRESIDENT	MAY 1, 1939	FEB. 24, 1942					MAY 1, 1939	FEB. [illegible], 1942						
GEORGE A. BROOKS			SECRETARY	NOV. 3, 1947	•												
GEORGE W. CODRINGTON			VICE PRESIDENT	JAN. 5, 1942	•												
HARRY B. COEN			VICE PRESIDENT	DEC. 2, 1946	•												
JAMES M. CRAWFORD			VICE PRESIDENT	JUN. 2, 1947	•												
JOHN J. CRONIN			VICE PRESIDENT	SEP. 13, 1948	•					SEP. 13, 1948	•						
MORGAN D. DOUGLAS			VICE PRESIDENT	JAN. 8, 1945	•					JUN. 4, 1945	•						
NICHOLAS DREYSTADT			VICE PRESIDENT	JAN. 5, 1942	SEP. 3, 1948					JUN. 4, 1945	SEP. 3, 1948						
HARLEY J. EARL			VICE PRESIDENT	SEP. 3, 1940	•												
PAUL GARRETT			VICE PRESIDENT	MAY 6, 1940	•												
ALFRED R. GLANCY			VICE PRESIDENT	MAY 9, 1929	MAY 6, 1931												
JOHN F. GORDON			VICE PRESIDENT	JAN. 6, 1947	•					JUL. 1, 1946	•						
HAROLD L. HAMILTON			VICE PRESIDENT	JAN. 5, 1942	•												
ROY E. HAMMOND			COMPTROLLER	MAR. 3, 1947	•												
HENRY M. HOGAN			VICE PRESIDENT	JUL. 7, 1941	•					JUL. 7, 1941	MAY 4, 1942						
GRAEME K. HOWARD			VICE PRESIDENT	MAY 1, 1939 JUL. 2, 1945	FEB. 20, 1942 MAY 5, 1947												
WILLIAM F. HUFSTADER			VICE PRESIDENT	†SEP. 13, 1948	•												
FREDERICK G. HUGHES			VICE PRESIDENT	JAN. 6, 1947	MAY 1, 1947												
HARRY J. KLINGLER			VICE PRESIDENT	JAN. 5, 1942	•					JUN. 4, 1945	•						
FREDERICK C. KROEGER			VICE PRESIDENT	DEC. 2, 1940	AUG. 11, 1944												
WENDELL G. LEWELLEN			VICE PRESIDENT	JUN. 4, 1945	OCT. 15, 1948												
CHARLES L. MCCUEN			VICE PRESIDENT	AUG. 5, 1940	•					SEP. 3, 1940	MAY 4, 1942						
THOMAS S. MERRILL			SECRETARY	AUG. 3, 1917	DEC. 25, 1937												
EDWARD B. NEWILL			VICE PRESIDENT	JUL. 12, 1948	•												
CYRUS R. OSBORN			VICE PRESIDENT	AUG. 2, 1943	•												
FRANK R. PIERCE			VICE PRESIDENT	JUN. 4, 1945	DEC. 2, 1946												
MEYER L. PRENTIS			COMPTROLLER TREASURER	AUG. 3, 1917 JUL. 10, 1919	JUL. 10, 1919 •												
ERNEST W. PROCTOR			COMPTROLLER	MAY 10, 1928	MAY 4, 1936												
IRVING J. REUTER			VICE PRESIDENT	MAY 9, 1929	JAN. 31, 1934												
EDWARD RILEY			VICE PRESIDENT	MAR. 2, 1942	•					APR. 5, 1948	•						
SHERROD E. SKINNER			VICE PRESIDENT	JAN. 5, 1942	•					JUN. 4, 1945	•						
EDWARD R. STETTINIUS, JR.			VICE PRESIDENT	MAY 6, 1931	DEC. 31, 1933												
EDWARD T. STRONG			VICE PRESIDENT	FEB. 10, 1927	MAY 4, 1932												
FLOYD O. TANNER			VICE PRESIDENT	MAY 3, 1937	MAY 4, 1942					MAY 3, 1937	MAY 4, 1942						
FRANK TURNER			COMPTROLLER	JUL. 10, 1919	MAY 10, 1928												
IVAN L. WILES			VICE PRESIDENT	†SEP. 13, 1948	•					SEP. 13, 1948	•						
WILLIAM C. WILLIAMS, JR.			VICE PRESIDENT	DEC. 2, 1940	NOV. 2, 1945					DEC. 2, 1940	NOV. 2, 1945						

• INDICATES STILL HOLDING OFFICE.
# INDICATES MEMBERSHIP UNTIL ABOLITION OF COMMITTEES.
** A WAR EMERGENCY COMMITTEE EXISTED FROM JANUARY 5, 1942 TO MAY 4, 1942 AND INCLUDED THE FOLLOWING MEMBERS: ALBERT BRADLEY, DONALDSON BROWN (CHAIRMAN), FREDERIC G. DONNER, ORMOND E. HUNT, ALFRED P. SLOAN, JR., JOHN THOMAS SMITH AND CHARLES E. WILSON.
THE ADMINISTRATION COMMITTEE WAS KNOWN AS THE WAR ADMINISTRATION COMMITTEE FROM MAY 4, 1942 TO NOVEMBER 6, 1944.
† ASSUMED NEW DUTIES NOVEMBER 1, 1948.

• INDICATES STILL HOLDING OFFICE.
# INDICATES MEMBERSHIP UNTIL ABOLITION OF COMMITTEES.
** A WAR EMERGENCY COMMITTEE EXISTED FROM JANUARY 5, 1942 TO MAY 4, 1942 AND INCLUDED THE FOLLOWING MEMBERS: ALBERT BRADLEY, DONALDSON BROWN (CHAIRMAN), FREDERIC G. DONNER, ORMOND E. HUNT, ALFRED P. SLOAN, JR., JOHN THOMAS SMITH AND CHARLES E. WILSON.
THE ADMINISTRATION COMMITTEE WAS KNOWN AS THE WAR ADMINISTRATION COMMITTEE FROM MAY 4, 1942 TO NOVEMBER 6, 1944.
† ASSUMED NEW DUTIES NOVEMBER 1, 1948.

GM CORP.-T.O.-N.Y.
DECEMBER 7, 1948



ORGANIZATION CHART - GENERAL MOTORS CORPORATION
ISSUE #2 JAN. 3, 1921
STOCKHOLDERS
DIRECTORS
PIERRE S. DuPONT, P. Chairman
T. S. MERRILL, Secty.
GEO. F. BAKER, JR. H. H. BASSETT A. G. BISHOP ARTHUR CHAMBERLAIN R. H. COLLINS W. L. DAY HENRY F. DuPONT IRENEE DuPONT LAMMOT DuPONT W. C. DURANT J. A. HASKELL SIR HARRY McGOWAN R. S. McLAUGHLIN WILLIAM McMASTER
C. F. KETTERING C. S. MOTT SEWARD PROSSER J. J. RASKOB A. P. SLOAN, JR. JOHN THOMAS SMITH E. R. STETTINIUS A. H. SWAYNE EDWARD VERLINDEN F. W. WARNER W. H. WOODIN OWEN D. YOUNG K. W. ZIMMERSCHIED C. M. WOOLLEY F. W. HOHENSEE F. D. BROWN
FINANCE COMMITTEE
J. J. RASKOB, V. P. Chairman
EXECUTIVE COMMITTEE
PIERRE S. DuPONT, P. Chairman
L. R. BEARDSLEE, Secty.
J. A. HASKELL A. P. SLOAN, JR. J. J. RASKOB
JOHN L. PRATT Chairman
APPROPRIATIONS COMM.
PIERRE S. DuPONT President
JOHN T. SMITH LEGAL DEPT.
J. J. RASKOB, V.P. CHAIRMAN, FINANCE COMMITTEE
SECRETARY & ASSISTANTS TO V.P.
J. A. HASKELL, V.P. A. P. SLOAN, JR., V.P. IN CHARGE OF OPERATIONS
F. D. BROWN, V.P. IN CHARGE OF FINANCES
STOCKHOLDERS SERVICE DIV.
INSURANCE & TAXES
AFFILIATED COMPANIES AS TO FINANCES
OPERATIONS COMMITTEE
J. A. HASKELL, V.P. Chairman
L. R. BEARDSLEE, Secty.
ADVISORY STAFF COMM.
A. P. SLOAN, JR., V. P. Chairman
FINANCIAL STAFF
OPERATIONS STAFF
GEN'L ADVISORY STAFF
M. L. PRENSKY, Treas.
C. E. STOWE, Asst. Treas.
A. BRADLEY, Asst. Treas.

the General Motors Corporation in addition to retaining his present position as Chairman of the Board.

Sec'y, Finance Committee.

2.

NOTE: "Return to Room 9059" and "Return to Executive Committee Room 9069" are stamped at bottom and "F-402" is written at top of the page; "GMC 1525A" appears in the lower left-hand corner of page.

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Government's Exhibit No. 180

Wilmington, Del., December 21, 1920.

FINANCE COMMITTEE—

Mr. M. D. Fisher, Secretary.

Gentlemen:—

Messrs. P. S. du Pont and John J. Raskob believe it is essential that Mr. F. Donaldson Brown be transferred from the DuPont Company to the General Motors to act as their Vice President in charge of finances. Our investment in that company is so large that their requests must be met if possible.

This will leave a vacancy in our organization. Messrs. F. D. Brown and Raskob feel that Mr. Echols, who is in line for the advancement to Treasurership, is probably not sufficiently mature to undertake the duties as financial representative of the Company on the Executive Committee, but think that he will qualify in the course of a year or two.

This makes it seem desirable that some more seasoned executive be assigned to this duty, with the presumption, that it will be a temporary duty.

After discussion with a considerable number of those in the higher ranks of the company, I have concluded that the most available man and the most fitting one is Mr. W. S. Carpenter, Vice President in charge of the Development Department.

I think Mr. Carpenter's experience in the study of financial statements of companies which we have investigated, as well as in studies of the investments in branches

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of our own company, and his aptitude in that kind of work, eminently qualify him for the

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position. It so happens that work in the Development Department is at low ebb and certainly can be handled by the Director of that Department without requiring that the Director become a member of the Executive Committee. This situation is not analogous to any other member on the Executive Committee, as each have departments with important functions which should not be disturbed by a change in the management.

Though it would be a retrograde movement, I have carefully considered the possibilities of each member of the old Executive Committee and am convinced in my own mind that all things considered, Mr. W. S. Carpenter should undertake the work.

This, then, is to recommend that the Finance Committee indicate their approval of the change in Mr. W. S. Carpenter's duties from Vice President in charge of the Development Department to Vice President and Treasurer, and that they recommend to the Board that Mr. Carpenter be elected as Treasurer.

This action should be taken as promptly as possible and the Board should pass on the question at their meeting on the 29th of this month.

Very truly yours,

IRÉNÉE DU PONT, President

NOTE: "GMC 1526" appears in the lower right-hand corner of each page.

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Government's Exhibit No. 181

DU PONT

E I DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE

EXECUTIVE OFFICES

Wilmington, Del.,

January 8, 1921

Mr. Irenne duPont, President,
E. I. duPont de Nemours & Co.,
Wilmington, Del.

Dear Irenee:

I just read your report of the 4th instant to the Board of Directors and it is so at variance with the thoughts I tried to convey to you in this matter that I cannot let it stand of record without recording what I have tried to convey to you and which may be briefly summarized as follows:

The needs of General Motors Corporation necessitates the best talent that we can secure. In the financial field it seems to me necessary to secure a man not alone of unquestioned ability but one who enjoys the absolute confidence of the Directors of the Du Pont Company which now controls the General Motors Corporation. Naturally I selected Mr. F. D. Brown and all of our associates concurred. This selection of course, makes it necessary for Mr. Brown to be relieved of his present duties and responsibilities as Treasurer and Member of the Executive Committee of the Du Pont Company. My feeling is that the financial interests of both Companies are so closely interwoven that Mr. Brown should be retained as a Director and Member of the Finance Committee of the Du Pont Company, in this way being enabled to keep in quite intimate touch with the directions and policies of the owners of the General Motors Corporation.

Naturally in taking this step the selection of a proper successor for Mr. Brown gave me most serious concern, feeling as I always have a great sense of responsibility for the financial organization and administration of the Du Pont Company. Mr. Brown and I had long and serious discussions about his successor with the result that I recommended to you as President, that Mr. Echols be made Treasurer and that Mr. H. G. Haskell be asked to take Mr. Brown's seat on the Executive Committee for the time being thus enabling Mr. Echols to devote his entire time and energy to mastering the treasurership, after which he would be made a member of the Executive Committee and Mr. Haskell would retire. We had, as you know, good precedent for not putting the Treasurer on the Executive Committee immediately, for the reason that the writer was made Treasurer many months before he was elected to the Executive Committee and Mr. Brown was elected Treasurer under like circumstances.

Mr. Brown preferred that for a period of two or three months Mr. H. G. Haskell be elected Treasurer, particularly on account of a certain situation in the Treasurer's Department which should be corrected forthwith and which could be much more easily accomplished with Mr. Haskell as Treasurer than with Mr. Echols. I saw good reason for respecting Mr.

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Brown's wishes in this matter and told you that it was perfectly agreeable to me and that I would recommend that Mr. Haskell be made Treasurer as an ~~extremely~~ temporary measure.

Both Mr. Brown and I feel that Mr. Fohols is equipped with a splendid mathematical and analytical mind, as is Mr. Carpenter; we likewise feel that his training in the Department and financial experience better qualifies him for the position of Treasurer than Mr. Carpenter, and that this fact which is well understood by the rank and file of the employees in a very large Department must be recognized, otherwise the espirit de corps in the Department will be seriously injured and I know of several of your Directors who honestly feel that this step, if taken, will be a rash one and one that will do much to undermine the espirit de corps in the whole organization.

less than 2 yrs in a new div. only,

substantially same

At no time in my association with you can I recall anything that was as distasteful to me as it is to be unable to support your recommendation and it has worried me a very great deal. A good organization certainly demands that the President be supported but in this instance, with a very keen appreciation of what is likely to happen in the failure of the President to support his immediate lieutenants, I can come to no conclusion other than that of disagreement.

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Mr. Irenee duPont --4-- January 8, 1921.

I, of course, could not recommend any man for the position of Treasurer of our Company unless he enjoyed the confidence and support of the President without being grossly unfair to that man; hence my failure to suggest any names in Finance Committee meeting when the Chairman asked if there were further nominations.

Yours very truly,

[illegible signature]

NOTE: Handwriting at top of first page reads: "Read & Replied to in Directors Meeting 1/10/21. I du P". "29." is written at upper right corner. In the left margin outside the brackets are written "OK du P" and "OK". In the second paragraph on page 2 the eighth line and the first two groups of the ninth line are bracketed. In the margin near the opening brackets is written: "This is the big job, I am talking of.". A short illegible phrase is written to the left of the first line in the second paragraph. On page 3, between the seventh and eighth lines, a hand-drawn line extends from the end of the word "experience" to the beginning of the marginal note.

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EXTRACT FROM MINUTES OF FINANCE COMMITTEE MEETING #271

APRIL TWENTY FOURTH, 1923

E. I. DU PONT DE NEMOURS & COMPANY

PRESIDENCY OF GENERAL MOTORS CORPORATION:

Mr. P. S. duPont, Chairman, orally advised the Committee of his desire to relinquish the presidency of the General Motors Corporation at an early date, and of his intention to recommend that Mr. Alfred P. Sloan, Jr. now Vice President in charge of Operations, be elected to that position, and asked for the views of the members on this proposed change. After discussion, the following resolution was offered and unanimously adopted:

WHEREAS, the presidency of the General Motors Corporation and the highly difficult and important task of reorganizing the management of its affairs were, in November, 1920, undertaken by Mr. P. S. duPont at the urgent request of this Committee and at the sacrifice of his own personal inclination and plans; and

WHEREAS, Mr. du Pont is now understood to be desirous of retiring from the position of President; and

WHEREAS, under his constructive leadership the critical transition period has been safely and successfully passed and the affairs of the Corporation established upon a stable and well organized basis, facilitating the transfer of its chief administrative authority; and

WHEREAS, there is now available a thoroughly well qualified successor, in whose ability to meet the exacting requirements of the position this Committee has the utmost confidence;

THEREFORE, BE IT RESOLVED, that the Committee hereby express to Mr. du Pont its entire acquiescence in his present intention and make a matter of record its earnest and enduring appreciation of his unselfish service, and its strong sense of the inestimable value to this Company of the work he has done in safeguarding its investment in the General Motors Corporation;

NOTE: "Return to Executive Committee Room 9069" is stamped at the bottom and "F-402" is written at the top of the page. "GMC 1588" appears in the lower left-hand corner of page.

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Government's Exhibit No. 183

P. S. du Pont
Wilmington, Del.

April 25th, 1923.

To the Directors of
General Motors Corporation,
New York City.

Gentlemen:

At the organization meeting of the Directors following the Stockholders Annual Meeting of the year 1922 I called attention to the advisability of considering the question of a new President for the Company. Another year has elapsed and much has developed to insure the stability of General Motors Corporation, so that I believe it is now time to recommend a change in the presidency, to take place as soon as possible.

Ever since you have honored me as your chief, Mr. Alfred P. Sloan, Jr., has directed the operations of the company and assumed many of the most important duties usually entrusted to a President. Experience during the years 1921, 1922 and 1923 indicates clearly that he is entirely capable in every way. I, therefore, heartily recommend him for the office of President.

This recommendation has been placed before the Finance Committee of E. I. duPont deNemours & Company, our largest stockholder, and received approval. I, therefore, address the Directors of General Motors Corporation, as I think it important that definite understanding be reached before calling a formal meeting. In the meantime, nothing has been said to Mr. Sloan on the subject.

3415

It is appropriate at this time to express appreciation of the confidence placed in me by the Directors of the Company and for the uniform support that has been accorded me during the time I have been President, especially when the burden of adverse developments made ultimate success and prosperity seem far away in the future. The quick recovery of the motors industry has done much toward re-establishment, but I am confident that the earnest co-operation of a good organization has been even more helpful and will further prove its value in the future.

As soon as informal approval of the Directors is received, I shall present my resignation as President and request a meeting to be called for naming a successor.

Very truly yours,

/s/ PIERRE S. DU PONT

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Government's Exhibit No. 184

THE DATA IN THIS REPORT IS INTENDED ONLY FOR THE PARTY TO WHOM ADDRESSED. THE REPORT SHOULD BE TURNED OVER TO THE SECRETARY IMMEDIATELY AFTER THE MEETING AT WHICH IT IS CONSIDERED.

Wilmington, Del.
May 8, 1923.

To BOARD OF DIRECTORS,

E. I. du Pont de Nemours & Co.

Mr. Alfred P. Sloan will doubtless be elected president of the General Motors Corporation at the meeting of their Board to be held on the tenth of this month, his selection having been approved informally by a majority of the directors of the General Motors Corporation.

In view of this Company's very large investment in General Motors, it would seem distinctly advantageous if Mr. Sloan were made a director of this Company. Beside which, his experience, good judgment and personality would bring additional strength to our Board.

This, then, is to recommend that Mr. Alfred P. Sloan be elected to the Board of Directors of this Company to fill the vacancy caused by the resignation of Mr. Frank L. Connable.

It is particularly desirable that the information herein communicated should be kept confidential until announcement is made of Mr. Sloan's election to the presidency of

the General Motors Corporation, which will probably be Thursday evening, next.

Respectfully submitted,

IRÉNÉE DU PONT, PRESIDENT.

NOTE: "C-2-a" is written at top; "gmc-666" appears in the lower right-hand corner of page.

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Government's Exhibit No. 185

COPY

Wilmington, May 15, 1923.

Mr. Pierre S. duPont,
DuPont Bldg.; City.

Dear Pierre:—

As promised when you first suggested electing Alfred Sloan to the duPont Board of Directors, I have given the matter careful thought and am wondering if it is wise to do so at this time.

If the doing of this results in the important men in General Motors getting the idea that we are endeavoring to put the duPont stamp on General Motors instead of recognizing it as a free and independent institution it will be unfortunate, because General Motors should stand on its own feet and never again have to look to the duPont Company or anyone else for support. Any other policy will not result in a strong, well built institution.

While the partnership idea, which prompts the thought of electing Alfred to our Board, is splendid we must remember we have little or no opportunity of explaining the partnership idea to the General Motors group and should we have such opportunity and succeed in selling the partnership idea as a valuable scheme and for the best interests of all concerned, is it not probable that Bassett, Mott, Kettering and the Fishers might feel their right to be invited into this partnership?

Should the employes of General Motors resent the idea of the duPont stamp and should the important men in the company feel slighted thru not being made partners it can only result in making Alfred's new position more difficult for him.

Time is a factor of fundamental importance in all human problems and should be taken advantage of when it can be used without cost. We have done a splendid job in electing Alfred president of General Motors Corporation, because we have promoted a good man, a man who has demonstrated his fitness and ability for the position and PRINCIPALLY BECAUSE WE HAVE PROMOTED A GENERAL MOTORS MAN, and I feel that the reaction throughout the entire organization has been splendid. Let us be careful

—2—

now not to overdo the matter and secure an anti-climax. The element of time can be used here without cost, for the reason that Alfred can be elected to the duPont Board six months from now with every advantage that accrues thru taking this action now. At that time both he and we can more accurately determine whether it is the wise thing to do.

Perhaps you have talked to Alfred about this, in which event I think he should be encouraged to quite frankly tell us how he feels about the matter, otherwise he may feel that to refuse or suggest delay in becoming a member of the duPont Board might give offense.

In the matter of partnership I think a great deal might be said along the line of a proper partnership, consisting of our group going into General Motors as partners with Alfred instead of bringing him into an institution that is

foreign to him. Being a member of our Board with no substantial stock interest is quite far from a duPont partnership. But this is quite apart from the main thought I have in mind, as outlined above.

Sincerely yours,

J. J. RASKOB

COPY—MESSRS. IRENEE DUPONT
LAMMOT DUPONT

NOTE: A check mark appears opposite the name of Irenee du Pont at the foot of the second page; "gmc-666a" appears in the lower right-hand corner of each page.

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Government's Exhibit No. 186

E. I. DU PONT DE NEMOURS & COMPANY
(INCORPORATED)

May 22, 1923.

Mr. Irenee duPont, President,

ELECTION OF MR. ALFRED P. SLOAN, JR.
AS A MEMBER OF THE BOARD OF DIRECTORS
OF E. I. DUPONT DENEMOURS & COMPANY:

At a meeting of the Board of Directors of this Company held yesterday the recommendation contained in your letter of May 8, 1923 was approved, and Mr. Alfred P. Sloan, Jr. was unanimously elected a member of the Board to fill the vacancy caused by the resignation of Mr. Frank L. Connable.

M. D. Fisher

2. Assistant Secretary.

NOTE: "C-2-a" and "Wrote Sloan 5/22/23" are written at the top; "gmc-667" appears in the lower right-hand corner of this page.

Government's Exhibit No. 187

ALFRED P. SLOAN, JR.

Positions Held in General Motors Corporation

1918 to date

Vice President	Dec. 31, 1918 - May 10, 1923
President	May 10, 1923 - May 3, 1937
Director	Nov. 7, 1918 - to date
Chairman, Board of Directors and Chief Executive Officer	May 3, 1937 - June 3, 1946
Chairman, Board of Directors	June 3, 1946 - to date
Member, Executive Committee	Nov. 7, 1918 - May 3, 1937
Chairman, Executive Committee	May 10, 1923 - May 3, 1937
Member, Finance Committee	Apr. 25, 1922 - May 3, 1937
Member and Chairman, Policy Committee	May 3, 1937 - June 3, 1946
Member, Financial Policy Committee	June 3, 1946 - to date
Member and Chairman, Bonus & Salary Committee	June 3, 1946 - to date

Government's Exhibit No. 188

December 24, 1928.

Mr. Alfred P. Sloan, President,
General Motors Corporation,
224 West 57th Street,
New York City, N. Y.

Dear Alfred:

I had a long talk with John Raskob last Thursday and with Pierre on Friday and have definitely come to the conclusion that there is no hope of inducing either of them to return to their former positions with General Motors. I don't think it is necessary to go into the reasons for my arriving at this conclusion or for their taking the stand which they appear to me to take. You have urged from time to time that something should be done in the matter, and I am convinced that the time to act has arrived, so that henceforth you have my full support in this matter.

It has been suggested several times that either Irenee or I should replace Pierre as Chairman of the Board. I am not anxious to secure that election, although I think I fully appreciate the honor conveyed, and if that were thought best I, of course, would be willing to do my part to the best of my ability. It seems to me, however, that Irenee would be the more normal appointment

—2—

and that he would be able to fulfill the dutues much better.

In regard to the Chairmanship of the Finance Committee, I feel that it is up to the du Pont Company to make a nomination, because it seems that du Pont has always

assumed the responsibility for the financial direction of General Motors. I have not discussed the matter with any of our people, except Pierre, Irenee and Walter Carpenter, but it is my personal feeling that the appointment of Walter Carpenter to that position would be the most desirable. If, for any reason, that were not agreed, then my second suggestion would be Don Brown, and I think Don would be my first choice if it were not for the feeling that his services could be better used in the sales work, as I believe they have been to a large extent in the recent past.

John seems to be perfectly willing and glad to remain as a member of the Board and of the Finance Committee, and Pierre the same. I think this would be quite desirable.

I hope later this week to have an opportunity to talk with you further regarding the above, but wanted to give you as promptly as possible my views briefly.

With Best Wishes for a Merry Christmas, I am

Yours sincerely,

LduP/MD PRESIDENT.

P.S. I am enclosing a Mutt and Jeff cartoon which, if you

—3—

have not seen it, may interest you. The artist's sarcasm certainly "hit the nail on the head."

L. duP.

NOTE: "C-26" is written at top; "gmc-524a" appears in the lower right-hand corner of each page.

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Government's Exhibit No. 189

February 13, 1929

MR. LAMMOT DU PONT:

As Chairman of the Board of General Motors, this is to remind you of the rather strong recommendation we had from both Pierre and John that it would be well to put Knutson on the Executive Committee, say in the place of John, and Mooney in the place of Mr. Mott, and possibly Walter Carpenter in place of Pierre.

This is just a reminder of a conversation of several months ago.

IRÉNÉE DU PONT

Ire du P

NOTE: "Received Feb 14 1929 Lammot du Pont" is stamped at top of page.

Government's Exhibit No. 190

Wilmington, Delaware, April 22, 1930.

Mr. A. P. Sloan, Jr., President,
General Motors Corporation,
New York City, New York

Dear Alfred:

I have yours April 14th, enclosing a list of Directors and Officers of General Motors Corporation and raising the question of the desirability of any changes.

Your proposition to not re-elect Mr. Bishop Vice-President seems justified under the circumstances you mention. Assume you intend to retain him as a Director, which seems justifiable.

You make no mention of Curtis C. Cooper, who is now a Director, but has severed all other connections with the Corporation. I have a letter written by Cooper at the time of his resignation from the Acceptance Corporation, saying that it is agreeable to him to retire as a Director of General Motors if the management think it desirable. I talked with him about it at the time and feel convinced that he was sincere in his willingness to retire from the Board if that was thought desirable. I see no particular advantage in retaining him on the Board under present circumstances, and would therefore recommend that he be not re-elected.

I like very much your idea of doing away with the

—2—

Operations Committee and electing to the Executive Committee the present members of the Operations Committee,

who are not now members of both. This means Bradley, Grant, Hunt and Wilson would have to be elected to the Executive Committee, and presumably would have to be elected Directors. They are all Vice-Presidents at present. I think this would be a good thing to do, the only objection being to adding numbers to the already large Board. This objection is trivial. These men are all assuming important responsibilities and I feel have handled them excellently. It will no doubt be considered an honor to be elected to the Board and I think doing away with the Operations Committee will be a constructive move.

I see no reason for dropping any other member of the Board, and have no suggestion for additional men.

If the above is carried out all of the Vice-Presidents will be members of the Board, except Glancey, Reuter and Strong, but I see no particular reason for adding any of them to the Board.

Yours very truly,

CHAIRMAN OF THE BOARD.

LduP/MD

NOTE: "File Copy" is printed across each page and "GM-20" is written at top of first page; "gmc-521" appears in the lower right-hand corner of each page.

Government's Exhibit No. 194

Wilmington, Delaware, April 6, 1937.

Mr. Alfred P. Sloan, Jr., President,
General Motors Corporation,
New York City, N. Y.

Dear Alfred:

At the meeting of du Pont Finance Committee yesterday, there were present Irenee du Pont, Carpenter, Echols, P. S. du Pont, Brown and L. du Pont.

We discussed the proposed General Motors reorganization for about an hour, after which Don had to leave, and the rest of us continued the discussion for another hour.

There seems to be no question but what the opinion was unanimous in favor of the objectives of your proposal, nor did there seem to be any unanimous disfavor of any particular element or feature of your proposal. There was a general feeling of misgiving with respect to discontinuing the present Finance Committee and not establishing some body whose particular function would be handling financial problems of the organization and which would also constitute a concentrated representation of stockholders' opinions on important matters.

The suggestion of having three Committees; namely, a Finance Committee, a Policies Committee and an Executive Committee was discussed, but there seemed to be general objection, not only on the ground of complication and difficulty of drawing

the line of responsibility between the Finance Committee and Policies Committee, but also on the ground that the Finance Committee, in order to properly function as to its responsibilities, would have to be made up of substantially all of the present members of the Finance Committee, plus some of those on the Policies Committee, which would make a large group.

Another suggestion was offered (after Don's departure), on which I would like to get your reaction. I will describe the suggestion by outlining the procedure:

At the Board of Directors Re-organization Meeting, after the Stockholders' Meeting in April, it would be announced by you that a re-organization seemed desirable and that, to fall in with the scheme, the Board of Directors were to be called upon to meet at much more frequent intervals, say once a month, and keep in much closer touch with the Company's affairs than had been possible in the past. In view of this necessity, it would seem to be desirable to reduce the number of members of the Board very radically to say .... You would propose that this Board would be composed of the following:

Baker
Bradley
Brown
Carpenter
Irenee
Lammot
Pierre
Knudsen

Mooney
Morgan
Mott
Prosser
Raskob
Schumann

—3—

Sloan
Smith
Whitney
Wilson

thus including a number of officers of the Corporation, the present banker representation and the present du Pont Company representation, reduced by omission of Harry. It would be announced that if any of the suggested names found it impracticable or burdensome to remain on the Board, in view of the proposed increase in frequency of meetings and time required, that they could feel free to so state.

This change, if accepted by the Board of Directors at this meeting or a subseqent one, would then be made public, with the explanation that those remaining on the Board are willing to devote more of their time and attention to the Corporation's affairs, and the others hand in their resignation, on the ground that they cannot devote such time, or such other reasons as they see fit to offer.

Having thus reduced the membership of the Board, either at the same meeting or subseqent meeting, a general Policies Committee would be appointed, composed of:

Bradley
Brown
Knudsen
Sloan (as Chairman)
Smith
Wilson

This Committee would be made responsible for the formulation of general policies of the Corporation, including financial policies:

—4—

but insofar as the financial policies are concerned, they would not have authority to decide certain kinds of financial questions, the decision on which would be reserved to the Board of Directors which, as stated before, would meet monthly and keep itself intimately informed with respect to the Corporation's affairs. These matters which would be left to the Board might include purchase, sale, issue or redemption of securities, dividends, general bonus plans, working capital policies, budgets and appropriations in excess of, say, ten million dollars, not previously budgeted.

At the same time, the Board would appoint an Executive Committee, composed of:

Bradley
L. P. Fisher
Grant
Hunt
Mooney
Wilson (as Chairman) with the addition of Knudsen and Sloan, ex officio, and any other additions which might be appropriate. It will be noted that this Ex-

ecutive Committee is not composed entirely of Board members. There might be added to this Executive Committee some other members; e. g., Albert Bradley's runner-up, Wilson's runner-up, R. K. Evans, etc.

It seems evident that this Executive Committee should be strengthened in some way. It also seems desirable to promptly, without delay, take such steps as will relieve each member of the Executive Committee from other duties and supply a suitable successor to such duties.

It should be noted that Mooney is suggested on the Executive

—5—

Committee and also on the Board of Directors, but Fisher, Grant and Hunt are not on the Board. They are omitted to reduce numbers.

The Executive Committee would have full responsibility and be expected to take the initiative in all matters connected with the Corporation's affairs, of course subject to the policies laid down by the Policies Committee and subject to the instructions of the Board of Directors.

It might be entirely appropriate to place with the Policies Committee the responsibility and initiative in financial matters.

It seems to me that this suggestion accomplishes the same result as your proposal, except that, in effect, the Board of Directors would, to some extent, become the Finance Committee, and the Board would be made a real working group. Perhaps on this basis, some of the Board enumerated above and included in those of the banking and

du Pont groups might wish to resign, because of the additional time required. Certainly, I would feel like doing so for this reason, unless the du Pont Company should desire me to remain.

Yours sincerely,

CHAIRMAN OF THE BOARD.

LduP/MD

NOTE: Lines in margin on first page are by hand. gmc-506a is handwritten on bottom of each page.

6

Government's Exhibit No. 195

Wilmington, Delaware, April 6, 1937.

Mr. F. D. Brown, V. P.,
General Motors Corporation,
New York City, N. Y.

Dear Don:

Referring to our telephone conversation this morning, in regard to the proposed General Motors re-organization, I have drafted a letter to Alfred, of which I am enclosing two copies.

I think I am correct in saying that Pierre approves this proposal in principle and has no objection to the details, but realizes that some of them might be improved; and, of course, it is understood that that would be done, if possible. Walter does not like the proposed plan generally, but thinks it is acceptable and as good, if not better, than anything else suggested. Irenee left for Cuba last night, hence did not see the draft, but participated in the discussion which led up to its preparation, and I guess would be in accord with Pierre's view. I think this proposal is entirely acceptable, but, like Pierre, feel sure that you and Alfred and John can make many suggestions for improvement.

If you see fit, will you forward a copy of this draft to Alfred?

Yours sincerely,

LduP/MD

CHAIRMAN OF THE BOARD.

NOTE: Writing in lower right corner is "gmc-506."

E

Government's Exhibit No. 196

Copy: ~~Mr.~~ Irenee du Pont.

April 23, 1937.

Mr. W. S. Carpenter, Jr.,
E. I. du Pont de Nemours & Co.,
London, England.

Dear Walter:

On last Tuesday, April 20th, we had a conference in New York on the General Motors re-organization; Alfred, Don, J. T. Smith, John Raskob, John Pratt, Pierre and myself being present.

Alfred explained his suggestions at considerable length and detail, both as to plans and reasons which led up to his suggestions. He then went into considerable detail comment on my proposed compromise, written him on April 6th, which I think you will recall as the plan for a Policies Committee, an Executive Committee and a much reduced Board of Directors, which would meet more frequently and assume the duties and responsibilities heretofore lodged with the Finance Committee. This proposal of mine did not meet with unanimous approval; in fact, I don't think anyone had a good word for it.

After discussion, which lasted all day, it was finally agreed that the following plan would be acceptable:

Reduce the Board to 28, as follows:

Baker
Bradley
Brown
Bishop

3436

Carpenter
Coyle
Irenee
Lammot
Pierre
L. P. Fisher
Grant
Hunt
Kettering
Knudsen
McLaughlin
Mooney
Morgan
Mott
Page (DeWitt)
Pratt
Prosser
Purvis
Raskob
Schumann
Sloan
Smith
Whitney
Wilson

You will note the following are omitted:

McGowan
H. F. du Pont
W. A. Fisher
Kaufmann

2

1153

Opel
Swayne
Woolley
Young

You, perhaps, had not heard that Alfred Swayne died a week ago.

At the re-organization meeting of the Board, a Policies Committee would be appointed, consisting of the following:

Bradley
Brown
Knudsen
Sloan
Smith
Wilson

—3—

and three representatives of the du Pont Company; the suggestion being that these three be you and myself and one other man—perhaps not an Executive Committee member.

At the same time there will be appointed an Administrative Committee, with Wilson as Chairman. It was agreed that eventually Alfred should become Chairman of the Board and Knudsen, President; but Alfred injected a new thought into the discussion—at least it was new to me; namely, that if I retire as Chairman and he were elected and Knudsen made President—all at once, that the public impression would be that he had been "kicked upstairs," which was not the intention and would not be a desirable

impression. I had thought that that was just the main idea, but, of course, in an entirely different sense; namely, that Alfred intended to, and wanted it known that he was lightening his burden, but still remaining the executive head of the organization.

His alternative was to have me retire and he be elected Chairman, retaining the Presidency for, say six months, at which time Knudsen would be elected President, Alfred continuing as Chairman. The six months' interval would serve to convince the public that Alfred was still active and the head man. Two objections to this idea were made; namely, that when Alfred retired from the Presidency, the public would then get the impression that he thought was undesirable; also that the whole proposition might not "sit well" with Knudsen at all. It

—4—

was left that Alfred would give some further consideration to this detail. It was also understood that Alfred would take the matter up with the bankers and get their reaction, and I was to discuss it with Harry du Pont. As you will observe, he has been omitted from the Board I thought the omission of Harry was justified on the g ound that it would soften the way toward the omission of some others.

Alfred seems so insistent on this general plan and was so generally backed up by the others that I feel your objection, in which I concur, could well be waived, especially in view of the fact that you and some other man of financial experience from the du Pont Company might be named on the Policies Committee.

4

I would appreciate your giving some thought to this and cabling any suggestions you have as to the du Pont representative on the Policies Committee.

Yours sincerely,

PRESIDENT.

LduP/MD

Irenee:

After readingthe above, I would appreciate any suggestions you have as to du Pont representative on the Policies Committee.

L.

NOTE: gmc-505b is handwritten on bottom of each page.

5

Government's Exhibit No. 197

RECEIVED BY PRIVATE WIRE FROM
POSTAL TELEGRAPH
STANDARD TIME INDICATED IN THIS MESSAGE

Postal Telegraph

THE INTERNATIONAL SYSTEM

This is a full rate Telegram, Cablegram or Radiogram unless otherwise indicated by signal in the check or in the address.

DL	DAY LETTER
NL	NIGHT LETTER
NM	NIGHT MESSAGE
LCO	DEFERRED CABLE
NLT	NIGHT CABLE LETTER
	RADIOGRAM

N5 65 CABLE=LONDON 1220 P MAY 3 1937

LC PRESDUPONT=WILMINGTONDEL=

RECEIVED MAY-3 1937 LAMMOT DUPONT

Jm Organization

LAMMOT REFERENCE YOURS TWENTYTHIRD STOP ON ASSUMPTION RECOMMENDATION MUST BE FROM MOTORS BOARD SUGGEST IRENE OR RASKOB DEPENDING UPON WHICH WILLING AND ABLE GIVE TIME STOP FEEL WE CANNOT CONTINUE PIERRES BURDENS STOP ECHOLS ALSO EXCELLENT SELECTION IF HIS TIME AVAILABLE STOP REGRET FURTHER POSTPONING SELECTION NEW PRESIDENT INASMUCH WILL EVENTUALLY FURTHER DELAY SELECTING PERMANENT INCUMBENT STOP LEAVING TONIGHT FOR COLOGNE=

CARPENTER.

733A

Government's Exhibit No. 198

September 12, 1940.

Mr. Alfred P. Sloan, Jr.
General Motors Corporation
1775 Broadway
New York, N. Y.

Dear Alfred:

I went out to see Pierrè the other day and you will be glad to learn that he is progressing, though slowly. He endeavored to do a little too much recently and had a slight setback, but seems to be recovering from that quite satisfactorily.

Pierrè said at that time that he thought he should resign from the Board of General Motors, principally in order to make way for a younger and more active person. I asked him if he found it a burden to attend the Board meetings, about which you will recall he is very conscientious, and he said he did not, though I am not sure that this will not be more of a hardship for him in the future than in the past.

If Pierrè should resign it occurs to me that we might suggest as his successor Mr. Angus B. Echols. Mr. Echols is now Chairman of our Finance Committee here and it is our Finance Committee which has the responsibility, so far as the du Pont Company is concerned, of looking after its investment in General Motors. What would you think of this?

Pierrè also suggested that it might be well for you to again assume the title of President of the Corporation in order that it might be possible, without too much embar-

rassment, for Mr. Knudsen to return to the Corporation after his service in Washington. Pierre was particularly hopeful, however, that if you did this it would be feasible to so organize that this would not throw an additional burden upon you.

I had occasion to discuss these matters with Lammot and he and I, both, thought that the proposed moves would be constructive. He felt, however, that it might be well to postpone Pierre's resignation until he further recovered in order that his withdrawal at that time might not be interpreted as due to his present illness which, of course, is not the reason for it.

—2—

I am merely sending along these thoughts in order that you might have the opportunity of giving them some thought. No doubt some or all of them have occurred to you before. Perhaps we could discuss them next Tuesday.

Sincerely yours,

President

WSC:R

Note: "File Copy" is printed across each page and "33." is written at the top of the first page. gmc-845 is handwritten on bottom of each page.

Government's Exhibit No. 199

GENERAL MOTORS CORPORATION
BROADWAY AT 57TH STREET
NEW YORK, N Y.

January 8, 1941

Mr. W. S. Carpenter, Jr., President,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.

Dear Walter:

I have your letter of the 7th inst., and have noted its contents very carefully. I am sure we have left you, as well as Lammot, with a misconception as to the strength of personnel in the Financial Department of General Motors I was aware of this on Monday, during the discussion that took place, and it was for that reason I remarked to you that when I was in better voice I would like to discuss the matter with you fully.

In the first place I think you and Lammot have gained somewhat of a false impression from a too-literal reading of the organization chart as it has pictured the financial department. My name has appeared in blocks representing Financial Department and also representing the group of activities embracing GMAC, GEIC, and MIC giving to you the impression that I was to be regarded as in administrative charge of these branches. Such as not been the case, and the new chart that is being prepared will be corrected and thereby remove any possible misinterpretation in this respect. Schumann's name will be pictured on the chart as in charge of those activities within his jurisdiction, and Prentis, as Treasurer, will be shown as in charge of the Financial Department.

There is no need for me to mention Schumann's qualifications. In passing, I might say that I will welcome the time when it might appear suitable for some one else to be made President of GMAC and have Schumann assume the status of General Motors group executive over those allied activities which he is now looking after.

As to Prentis, he is a man of unquestioned ability. Ever since I have been with General Motors he has been the administrator in charge of accounting, auditing, tax work and the many duties pertaining to the Treasurer's office. He is ably backed up by A. C. Anderson, Comptroller, and numerous very capable men. Under existing conditions I cannot see how we have the slightest cause to worry over the fact that the Financial Department will be under the charge of Mr. Prentis, with his efficient lieutenants and well organized staff.

In General Motors over the past twenty years we have had some one recognized as head of the Financial Department to whom Prentis has reported, and who has had intimate contact with operating problems deriving from his relationship with what we have come to call financial control policies. This individual has always had his headquarters in New York with a staff there, and within that organization has rested the responsibility

of gaining a reflection of operating conditions of the Corporation and of its many activities, forecasts as to forward conditions, and many other duties intended and directed along the line of furthering opportunities for constructive planning and affording the basis for effective treatment of problems of coordinated control. This work has been separate and distinct from Financial Department administration, per se, although it has concerned itself with principles and procedure in the field of accounting practice for the sake of gaining the flow of accounting facts and statistical information required in fulfillment of the purposes of forecasting and planning, and in facilitating the objectives of coordinated control.

The most effective first step taken in the direction of organizing this special field of financial control work was early in 1922 when I brought Bradley from Detroit to New York. He was Assistant Treasurer in Detroit and retained this official position in New York. He reported officially to Prentis, Treasurer, until in 1929 he was elected Vice President and placed over the Treasurer. In November 1933 he was elected a member of the Finance Committee. He was never on the Executive Committee, but was made a member of the Administration Committee as also the Policy Committee when those committees were created in May, 1937.

From 1922 to 1929 Bradley served as Assistant Treasurer reporting to Prentis, but actually was accountable to me as my chief assistant in organizing the work and attention to what I refer to as Financial Control Policies. He built up a staff of capable men and he himself, as time went on, gained more and more contact with Mr. Sloan, operating executives in Detroit and in the divisions. Then gradually as Bradley came to be respected for his applied knowledge, and assumed duties on policy group activities his own time and thought came to be extended towards participation in and attention to problems of operating policy. As this natural evolutionary process occurred in bringing Bradley into direct contact with operations the responsibility of carrying on the work of a more purely financial character passed on to the organization under him. Enjoying the contact with Bradley's supervision, and furthered greatly as he himself gained broader contact with operating problems, the organization that has been under him has grown to a state of unquestionably high competence. With all due respect to a suggestion in your letter that we might do well to consider bringing some one in from the outside to head up our financial department, I am convinced there is none such who could meet the situation as we would want as well as some we have within.

?

Donner has been Bradley's chief assistant for years. He is highly competent from the experience and training he has had to carry on this special type of work of the New York financial office. He is a man of unusually high potential and I think we can feel happy in having in him some one who can measure up to the qualities that Bradley before him has demonstrated. For his own good, as well as for the good of the organizational development, I am convinced that it would be a mistake to elevate him to a Vice-presidency at this time. I am sure it will be better for him more gradually to work into an exercise of his applied knowledge in dealing with problems of operating policy in contact with the various operating executives, having thereby the benefit of gradual evolution and gaining respect throughout the organization such as Bradley enjoyed in the years of his steadily expanding

contacts.

I was struck by your reference to Mr. Sloan's background of experience in that his grasp of all aspects of business management has come in part from the fact that he came up through a small corporation. I agree so thoroughly with this observation of yours. In this same sense we hold that one of the greatest assets of General Motors lies in its basic structure of operating divisions each with a self-contained management headed by a General Manager with responsibilities corresponding with those which would obtain if his division were a separate and distinct unit. The so-called financial control policies have been deliberately aimed at nourishing the advantages of relatively small-scale business management in the training of men to carry on who would be conscious of all aspects of management, particularly the financial aspects.

We think the Corporation is very fortunate in that C. E. Wilson himself is highly conscious of the financial aspects of the business. As you know, he was for some years head of the Delco Remy Company during a period when the operation of that company was extraordinarily successful and during his regime as General Manager he had his fingers on every phase of operation of that business. On the side when in Anderson, and in connection with what he felt to be his duties towards the local business he was serving, he was active President of a local bank in Anderson, and furthermore engaged in extensive activities in connection with the supply of local capital to meet the problems of housing development needed in connection with the expanding employment in the community. When he was brought into the central office his primary duties in the early stages were in the direction of carrying on negotiations resulting in acquisitions of an interest in Bendix Aviation Corporation, Fokker Aircraft Company, Allison Engineering Company, and various other situations which we were studying into, some of which eventuated in acquisition by General Motors Corporation and some were passed up. In the course of those duties he exhibited marked appreciation of the financial aspects of business.

Now, as to the central organization of General Motors, as it may be concerned with the financial aspects, there is no weakness existing as I can see it. The application of Mr. Bradley's knowledge and feel of the financial aspects is not lost. In fact it is enhanced by the new duties he has assumed. The financial department remains separate, organizational-wise, from operations and is responsible to the Policy side of management. Effort will continue in the training of men in attainment of experience and skill in dealing with the financial aspects and in bringing operating executives to greater consciousness of financial considerations and of the essential principles involved in coordinated control. When I said Donner was not ripe to assume the position of V.P. in charge of finance as Bradley exercised that function, it was not with reference to his ability and knowledge of those things of a financial character. The shortcomings of the moment are entirely on the side of contact thus far with problems of operating character where decisions have to be made and where related considerations have to be taken into account. One in Donner's position may have a perfectly balanced viewpoint on problems requiring coordinated consideration, and yet be regarded as theoretical by operating executives with whom he has not been in intimate contact. It is better far, I think, to give him time to branch out into the field of operating policy considerations and then to move on the matter of his promotion after he has demonstrated ability, such as I

John will make chairman of rate Donner

3446

am sure will be the case, to apply his knowledge and experience.

In the meantime, looking at things from the standpoint of the financial department in which I have some feeling of pride, I think that department gains, as General Motors gains, from Bradley's transfer to operating duties. Enthusiasm will be engendered as a result of promotions within the department to positions of greater responsibility. I don't believe you will find the department lacking in experience and skill in dealing with problems which we will come to face.

if promoted why are those on stock?

Sincerely yours.

D. Brown
DONALDSON BROWN

DB:W

Government's Exhibit No. 200

Copy to: Mr. Lammot du Pont
Building

January 9, 1941.

Mr. Donaldson Brown
General Motors Corporation
1775 Broadway
New York, N. Y.

Dear Don:

Thanks a lot for your letter of January 8th.

I am going to reply to this as it seems to me quite clear from what you say that I did not make myself clear in my previous letter. Please don't bother to reply to this as it seems to me this exchange might become interminable. Perhaps it would be better for me to stop by there sometime and discuss it with you.

Let me first dispose of some of the points in which it may be that I have not been understood.

In the first place you have stressed the extraordinary capacities of certain men that you have in the organization there. You may be assured that I have no reservations regarding these capacities. So far as I have been able to judge they are pretty nearly "tops". My complaint from this standpoint is that, in spite of the confidence which you express in their capacities, you do not feel them sufficient to warrant recognition in a large way by promotions to greater positions in which their responsibilities will be enhanced.

Next, you point out the objections to bringing men into the organization from the outside to assume higher positions. I recognize that, and, far from advocating that it be done, I meant to urge that it be not done, but rather that the men which we have, who to me seemed to have sufficient capacity, be elevated.

I rather gather from your letter that, while you feel one or two of these men have sufficient capacity from the financial standpoint, their elevation should be delayed until they become better acquainted with the operating side. I will have more to say on this later, but meanwhile I want to stress that the aspects which I think we are discussing at the moment involve providing for the financial problems of the Corporation in the broadest sense and not operating problems.

—2—

Again I wish to stress that I do not in the slightest belittle Mr. Wilson's capacities. I do say, however, that I do not feel that he has had the background of experience that Mr. Sloan had, and for this reason I question whether he has the same sympathy with and appreciation of the financial aspects of a corporation that Mr. Sloan has. As Mr. Sloan has expressed it in referring to other people—"He has never had the job of meeting the payroll at the end of the week". The broader financial aspects of Mr. Wilson's problems as Head of certain divisions have always been provided for and this does not mean again in the slightest that he has not fully taken care of such aspects of his operating problems as had a bearing upon the financial side of those problems.

Again I might say that I have no worries that the financial departments under such men as Schumann, Prentis, Donner, etc. will not be well taken care of. However, if it is true that they are to assume the responsibilities which have been assumed heretofore by such men as Raskob, Bradley and yourself, perhaps they should be given the position, title and prestige that go with those responsibilities.

Now as to the question itself, perhaps I can best deal with this if I refer a little to the past.

It seems to me that, in the du Pont management for years back as well as in General Motors management, the activities and responsibilities have been divided into two parts; one, financial and the other, operating. The financial phase has not been merely an auxiliary of the operating department, it has been at least equal and often dominating in the considerations of major policy. Think back over the earlier days and consider the influence brought to bear on du Pont management when Pierre, Raskob and you were in charge of du Pont financial management. As a matter of fact you will recall that for years Pierre as Treasurer was the Chief Executive Officer of the Company, though to be sure he was also Acting President. Think of the long period of years in General Motors management when the influence of the financial side was so important, during the days of Pierre, Raskob, and later, yourself and the old Finance Committee.

I should have mentioned above, perhaps, that my complaint is not that your name is or is not at the top of the financial department's, but rather that now that you have passed to a more general executive position in the Corporation and Bradley has gone over to the operating end, there is no one as general financial executive.

I think that you have become more and more interested in the General Motors picture as a general over-all ex-

3450

ecutive and less specifically as the financial chief. This evolution was a very natural one with the growth of Bradley, but now we must recognize that with Bradley passing out of that picture and you becoming a General Executive the broader financial aspects of the Corporation are without any major executive giving it his total time.

This trend, I think, became even more accentuated with the change in organization of the Corporation. I refer to the change that brought about the creation of the Policy Committee, the abandonment of the Finance Committee and the elevation of yourself to the Vice Chairmanship of the Board. That change in large part eclipsed the financial influence except as it was retained by Bradley. His disappearance now leaves this function entirely without a Head.

When we had the separate Finance Committee I think you will agree that the financial aspects of the Corporation were given more thought than they are today. It seems to me that under our present set-up important decisions are influenced more and more from the operating standpoint, and less and less from the financial standpoint. I am afraid that this trend will be accelerated considerably with the current changes.

It is difficult for me to cite specific examples of problems which may be overlooked under the new arrangement, not because of any shortcomings on the part of any of the departmental heads, but merely because they are not problems which are the responsibility of any one in particular. I might, however, refer to several even though I think you will feel that perhaps they will be taken care of in some way.

4

In the first place let me ask you to cast your mind back over the last twenty years, and think of the important moves which have been made of a financial nature in the General Motors Corporation, for which you and Raskob were responsible. Would you expect those to be handled now by Mr. Prentis as Treasurer, or by Mr. Schumann as President of the G. M. A. C.?

One of the moves which I can recall was the setting up of the G. M. A. C. Lammot has mentioned several times in Policy Committee the question of the wisdom of our continuing in the acceptance business. I do not believe that we can expect the Acceptance Corporation itself to consider the pros and cons of that question, nor would I expect it to be within the range of Mr. Prentis' province. May be it should be done and may be it should not. Our competitors, I understand, have divorced themselves from this type of business. Should we do it or should we not?

I believe that if you or Raskob were heading up the

financial policies of the Corporation you would be in a position, and would consider it your duty to explore this question exhaustively and dispassionately in view of the fact that it has been brought up on several occasions by Lammot. When he has mentioned it in the Policy Committee it has been set aside with almost no discussion.

Whose job will it be hereafter to consider in the broadest sense the question of the Corporation's credit, the standing of its securities? We can ask some one else from time to time to give us reports on this, but the general subject itself will not hereafter be anybody's responsibility as I see it.

I believe that you have been in large part responsible for the present system of financial control that we have in the Corporation. With the change in conditions over the course of years, maybe that should be changed or abandoned, and substituted by some other plan which will be a better one. I presume that problem can be assigned to someone, but whose responsibility will it be to be on the lookout for such things?

The Corporation has enormous cash balances today, so that it seems for the moment we will never require more, but who will anticipate and plan sufficiently in advance to provide for more if needed and design ways and means of getting it? We can assign the latter problem to someone if we know it should be done, but whose responsibility will it be to anticipate this? Will it be Mr. Prentis' or Mr. Schumann's? The Managers Securities plan was not conceived of and developed by a Department Head, but by someone who was considering the interests of the Corporation in its broadest way.

I think that we may easily fall into the error of feeling that all of these things have been accomplished and they merely require operating now. On the other hand, it is more probable that newer things just as important, just as influential on the eventual success of the Corporation are still unthought of and yet to be developed. Again we rest complacent with the feeling that these men, who are now able department heads, but who have enormous duties today which require all of their time, can think of these broader problems. These are the same department heads or assistants whom you do not now feel can be elevated to these higher positions. Is it therefore reasonable and fair to them or to us to expect that, while we don't regard them

of sufficient capacity to elevate in position, we nevertheless expect them to solve the problems consistent with these greater positions?

I feel that the General Motors' Corporation can well afford to employ the best man we can find in this country to

head up this tremendously important function. If we have a man in the organization, and I certainly hope we have, we ought to recognize him and get him immediately to head up this function. If you are of the feeling that we have not, I don't think we can afford to wait a number of years for him to get further experience. The enormous problem for industry in this country created by the National Defense Program alone, involving as it does the unprecedented expansion of Government credit, is a problem which deserves the thought of a full-time man.

I believe that the financial problems of Corporations the size of du Pont and General Motors over the next few years will be of greater magnitude and of greater variety than they have ever been before. We have not a completed job, we are not a static organization. I believe we should organize accordingly.

Sincerely yours,

President.

WSC:R

NOTE: "File Copy" is printed across each page and "33." is written at top of first page. "gmc-840" is written at lower right corner of each page.

7

Government's Exhibit No. 201 3454

GM - Organization Chart

DU PONT

E. I. DU PONT DE NEMOURS & COMPANY
INCORPORATED
WILMINGTON, DELAWARE

EXECUTIVE OFFICES

Copy to: Mr. Lammot du Pont
B u i l d i n g

April 8, 1942.

Mr. Alfred P. Sloan, Jr.
General Motors Corporation
1775 Broadway
New York, N. Y.

Dear Alfred:

You were over here the other day to discuss organization, and I gathered when you left that you wished the reaction of both Lammot and me to the suggestions which you made. This thought occasions this letter.

Lammot and I have talked about this since you were here, and some of the points which I make are also developments of those conversations, though undoubtedly Lammot will write you separately. I particularly do not wish to commit Lammot to anything in this letter as I am quite sure there are one or two points with which he is not in agreement. In including these points I am not doing so in the thought I am urging my viewpoint as opposed to his, but I am including them as ideas which might be tossed into the general basket for later sorting out.

I agree that the Committee setup which we have over there today is one which should be altered. The developments growing out of the present critical emergency have brought out some of the weaknesses in our present setup, though I do believe the weaknesses existed even before the war and the creation of the War Committee and would have required a change in our organization in any event.

I say this because I feel we have gradually moved away from the idea which was the foundation of our present organization, namely, that the Policy Committee would set up major policies and that the Administration Committee would carry them out.

I think, as the years have gone on, the Policy Committee has become stronger and stronger, and the Administration Committee has become of gradually lesser importance. I think this is true both as respects the personnel of the two Committees as well as their activities, and I am not

sure which was the cause and which the effect.

It seems to me that it has been very difficult for us to distinguish between questions which should have been matters for the Administration Committee and questions which should have been properly within the sphere of the Policy Committee. I say that it has been difficult for us to distinguish between these questions. I am inclined to think that this may have been due to the fact that it is inherently difficult to distinguish between matters of policy and administration.

In any event, it has seemed to me, as the years went on, the Policy Committee took up more and more questions of administration and operation until we gradually devoted most of our time to such matters. Then when the War Committee was organized it seemed to handle both policy questions and administrative questions until the functions of the Administration Committee more or less passed out of existence, and the Policy Committee became in large part a repetition of the War Committee. While all of this seems to be dealing with past history, I review inasmuch as it affords a background of experience out of which comes the suggestion that the division of work between the two new committees should not be the same as we have had in the past, namely, questions of policy and questions of administration, but rather that we revert more nearly to the division of functions which we had some years ago, namely, finance on the one hand, administration and operations on the other hand.

For the purpose of convenience I am referring to these two committees as the Finance Committee and the Executive Committee. These names define in a general way the functions of the two committees and by departing from the old names of Policy and Administration we avoid confusion and perhaps may avoid some emotional aspects of the problem. I am listing below the two committees: suggested

Finance Committee	Executive Committee
Sloan	Sloan
Brown	Brown
Wilson	Wilson
Smith	Bradley
Whitney	Hunt
L. du Pont	Donner
Carpenter	Coyle
	Curtis
	E. Fisher
	H.B. du Pont

It is my thought that you might be Chairman of both committees; that Brown would be Vice Chairman of the Finance Committee and Wilson Vice Chairman of the Executive Committee. You will note that Sloan, Brown and Wilson are the only members who are common to both committees.

It would be my thought that, while Brown would be a member of the Executive Committee and Wilson a member of the Finance Committee, neither would consider their attendance at the meetings of those committees as a "must" assignment, but that, if either felt his work required his absenting himself from those meetings, he should have no hesitancy in being absent.

You will note that I have placed Smith on the Finance Committee, but not on the Executive Committee. This does not suggest in the slightest that Smith could not make a valuable contribution to the Executive Committee, but it does recognize that, at least for the period of the war, the functions of the Executive Committee will be so largely involved in operations that he could perhaps use his time and effort to better advantage than sitting through long discussions so completely involved in operating problems.

It seems to me that the presence of the names of Whitney and L. du Pont on the Finance Committee need no comment.

I have left my own name on that Committee more perhaps because it is now on the Policy Committee and certainly does not belong on the Executive Committee. The question has arisen, in my mind and that of some of my associates, whether it is desirable for me to continue on any of the committees at General Motors in view of the amount of work involved in our present program. Perhaps my continuance on the Board would serve suitably as the du Pont representative and that my place on the Committee should be taken by someone else. I think this question may not be so important if the functions of the Finance Committee should be more nearly those of the old Finance Committee, though I have felt for some time that the functions and activities of the Policy Committee were gradually broadening to an extent that I perhaps did not have the time to devote to the problems of that committee which they deserved.

I believe the other names included on the Executive Committee list are the same which you discussed over here the other day with one exception, that of H. B. du Pont.

I am still of the feeling that the job to be done by that Committee will be found a huge one and will require a great deal more time than we now suspect. If this assumption

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is a correct one it will mean that Coyle, Curtis and Fisher will have to spend a great deal of time in the preparation for that committee and in attendance at its meetings. As the capacity of those men, like that of others, is limited this must mean necessarily that they will have less time to devote to their extremely important operating problems. It seems to me, however, that the points which you make in favor of their presence on that committee are important ones, and it may be their operating problems will not suffer if they organize for the handling of those problems with very capable assistants. very important

There may, in fact, be the collateral advantage that the effect of this move will be the development and broadening of certain executives under those men, in order that they will be in a position to take over more important responsibilities should the operation of the higher policies of the corporation require the continuance of these men on the Executive Boards even after the current emergency.

I have suggested the inclusion of Belin du Pont on the Executive Committee. Belin's experience has been in large measure in engineering work and I feel he would be able to contribute constructively in the capacity of a Committee member. There is the further reason for believing that he could be helpful at the present time in view of his long contact with aviation and the importance of the aviation program in the General Motors picture in the near future. There would, I believe, be this further advantage in the general interest of the General Motors-du Pont relationship in that it would afford him an opportunity to become better acquainted with the men in the operating end of General Motors and also afford them an opportunity of learning to know better one of the General Motors-du Pont Directors.

I might add that I, of course, have not spoken of this last point to any one else than to Lammot, and as you may suspect he was not favorably disposed toward this suggestion. I think his reasons for this are consistent with the position he has always taken, namely, that the du Pont representatives should not become too closely involved in the operating problems of General Motors, principally because of their lack of experience in such problems in General Motors.

This is no doubt a long and rambling letter, which is perhaps natural as it merely affords an opportunity of putting on paper some long and rambling thoughts. I do hope they may be of some help to you in this big problem. In any event, they constitute my reaction which you asked for.

Sincerely yours,

WSC:R

NOTE: Stamp at top of page 1 reads: "Received Apr 8 1942 Lammot du Pont"; "gmc-499b" is written in lower right corner of each page; stamp under "Sincerely yours," reads: "W. S. Carpenter, Jr."

Government's Exhibit No. 202

Copy: Mr. W.S.Carpenter,Jr

April 10, 1942.

Mr. Alfred P. Sloan, Jr., Chairman,
General Motors Corporation,
New York City, N. Y.

Dear Alfred:

Walter and I have discussed the matter of General Motors organization and I have seen his letter of April 8th to you, with which I am generally in accord. I am in accord with all of his suggestions specifically, except the following, on which I would like to give you my thoughts:

On page 2, second paragraph, Walter refers to the Policy Committee becoming in large part "a repetition of the War Committee." If I understand Walter's idea correctly, I agree with him, but would express it "that a large part of the Policy Committee's activities have been a rediscussion and approval by implication of what the War Committee has already done."

In the same paragraph, Walter refers to the division between the Finance Committee and another committee to handle administration and operations. I picture the function of a Finance Committee in this set-up as a little more than handling the policies and operations of the financial departments. The Finance Committee would be so constituted that it could appropriately be considered as an informal representation of large stockholding interests, that the personnel of the Finance Committee should be confined to

representatives of large stockholders, but that its membership should constitute both those experienced and skilled in financial affairs, and also those who can properly represent large stockholders — whether or not they, themselves, are skilled in financial affairs.

At the bottom of page 2, Walter suggests personnel of the two committees. I think Walter should be omitted from the Finance Committee — entirely because of the heavy burden of duties he is obliged to carry with the du Pont Company, especially under the war conditions. Whether or not he is replaced on the Finance Committee is a secondary matter, but my preference would be that he should be replaced, and the best nominee that comes to my mind is H. B. du Pont, not because he is a substitute for Walter in financial experience, or other business experience, but he is equally competent to represent the largest single stockholder in General Motors; because he sits in on the important conferences of the du Pont Company, is fully familiar with its policies and is generally in accord with the thinking of du Pont management.

I see no particular reason to include Brown on the Executive Committee, assuming that he is on the Finance Committee, and believe his omission would improve the Executive Committee, by reducing its size, by throwing more of the burden onto the younger members of that Committee and by

allowing Brown free time to exercise his valuable abilities and experiences more with respect to what I conceive to be the duties of the Finance Committee.

Donner, Coyle, Curtis and E. Fisher are excellent for the Executive Committee, but I am very strongly of the opinion that they should either be entirely relieved of their divisional duties or supplied with first-class assistants, who might take the principal burden of the divisions from their shoulders and, in a reasonable length of time, assume the whole divisional responsibility, leaving these men to devote their entire time and energy to Executive Committee matters. I have no fear that there will not be enough for them to do.

I am distinctly opposed to H. B. du Pont being on the Executive Committee, for the reason that Walter intimates and also for the same reasons which I applied to support of Brown being left off the Executive Committee.

On page 3, second paragraph, where Walter refers to attendance at committee meetings not being a "must" assignment; I agree with his thought, but not to the extent of <u>expecting</u> any committee member to intentionally absent himself.

On page 4, about the middle, where Walter refers to the advantages of H. B. du Pont becoming more familiar with General Motors men and operations, I agree with him, but these are advantages which I think we must forego.

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You will observe that my differences with Walter are details, and the only details on which we differ are somewhat of the nature of my stressing the point rather more or less than Walter.

There is one other point which Walter does not cover, but which I feel he must hav had in mind, and it seems to me important; namely a look to the future with respect to the top personnel. Omitting Smith and Brown from the Executive Committee will certainly throw a tremendous load on you, unless you force the assumption of responsibility upon the other members. I hope that the latter will come about, and that, as a result, a better supply of "timber" for the Presidency and Chairmanship may be developed. Perhaps I should emphasize another point which comes to me; namely, the intentional reduction of what might be called "du Pont influence" in General Motors operations, other than the financial departments. I grant you that my main thought is something in the nature of bowing to the trend of the times, when that trend is not all to the good, but the trend must be recognized, and in this case, the situation is such that no great harm will be done by "bowing."

Yours sincerely,

CHAIRMAN OF THE BOARD.

LduP/MD

NOTE: "gmc-499a" is written in lower right corner of each page; "FILE COPY" is printed across pages 2, 3, and 4.

Government's Exhibit No. 203

GENERAL MOTORS CORPORATION
BROADWAY AT 57TH STREET
NEW YORK, N. Y.

April 13, 1942

Mr. Lammot duPont
Chairman
E. I. duPont deNemours & Company
Wilmington, Delaware

RE: GENERAL MOTORS CORPORATION - GENERAL SCHEME OF MANAGEMENT ORGANIZATION

My dear Lammot:

I have your letter of April 10th on the above subject, and thank you very much for the thought you have given the matter.

As you know, I have been having some correspondence with Walter and I am asking him if he will be good enough to send to your office, the letters which have passed between us so that you will have a full understanding of our discussion on the subject.

In attacking problems of this kind, I always try to get at the fundamentals by dissecting the facts and circumstances so far as I can, in order to reach the fundamentals. I have come very definitely to the conclusion that the heart of this problem is to determine the respective responsibilities of the two governing Committees, whatever they may be. We can't come to a common agreement unless we start with the principles on the basis of which we are trying to reach the agreement.

I feel very strongly, as a member of the operating organization, and as a large stockholder, and having in mind the responsibility of the duPont interests (altho if that were washed out I do not think I would feel greatly different about the matter) that we can not separate the responsibilities of the two Committees, on a purely functional basis, such as finances and operating. If I am wrong on that, then my whole viewpoint, of course, is subject to change.

On the first page of your letter, third paragraph, your viewpoint is reflected quite strongly, as distinguished from mine. You say that you picture the function of a Finance Committee in this set-up as a little more than handling the policies and operations of the financial departments. To be perfectly frank, I am definitely opposed to that type of a set-up. On the other hand, you say further:- the Finance Committee would be so constituted that it could appropriately be considered as an informal representation of large stockholding interests. That is exactly what I am advocating.

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Page #2
Mr. Lammot duPont
April 13, 1942

I think it is essential that it should be so, and I think, in your saying this, you must accept the fact that if that is true, then certainly the interests of the large stockholders are not confined solely to operations of the financial departments. I hold most emphatically, that the major interests of the stockholders are involved in the operations department, because if the operations of the Corporation are not intelligently and aggressively conducted, then the financial departments can do very little about it.

You say further, that the personnel of the Finance Committee should not be confined to representatives of large stockholders. I agree on that. I think the personnel of the top Committee should consist, as you have already stated, of (a) the large stockholders' interests; and (b) personnel experienced and skilled in financial affairs. We have already dealt with that, and whether the representatives of large stockholders are skilled in financial affairs or not, in my judgment is not essential, because I value so much more highly the policy phase of it than I do the financial phase of it.

I would like to add one category to personnel on the top Committee, which flows entirely from my interpretation of how the management should be set up; viz., individuals who know operations and who have direct contact with the operations of General Motors, in order to bring before the deliberations of the top Committee a proper balance of opinion. If we follow such a set-up, we will have in the top Committee all the essential elements to protect the stockholders and to act as a review, or a check, on the management of the business from the standpoint of both its financial and operating affairs.

If we proceed along the lines mentioned in the third paragraph on the first page of your letter "as a little more than handling the policies and operations of the financial departments" then the Finance Committee becomes purely academic. There is no check whatsoever on the Executive Committee. There is no review of major policies. There is no relationship of the stockholders interests and the outside business viewpoint, with the operating phases. There is a barrier between them. That I think is very unsound and very ubdesirable.

I think I should add to what I have just said, that circumstances alter cases, and I can see in a set-up such as you have in Wilmington, where everything is closely tied in together and where there is a continual cross-over between executive departments and all that sort of thing, that the situation might be different, but I would still hold that it was not right, and as applied to General Motors, I very definitely think it is not right.

On the second page, the first paragraph, you pass to the personnel of the two governing Committees. Of course, again the fact remains that we can't very well deal with the personnel problem until we determine the responsibilities with which the two Committees are to be charged.

Walter, of course, would be a tremendous addition to the top Committee, from all counts. Everybody here has great confidence in him, and it would be a great loss to the Corporation to have him pass out of the picture. I realize the situation which you mention, particularly involving the war conditions. But the war will not last forever, and we are dealing with something that is going to carry on far beyond the duration of the war. It seems to me, therefore, that we could continue him as he is, with the understanding that he might be absent due to existing circumstances, or to special conditions, but that would be more or less of a temporary situation. However, if your position is, that that must be done, then of course there is nothing we can do here but to accept it, and in that case we should welcome Henry B. duPont. I agree with you that Henry would be far more helpful in the role of representing the largest single stockholder and on the operating phase of the business as distinguished from the financial phase. In other words, from the standpoint of policy rather than finances.

You speak of Don not being essential to the Executive Committee, but that he should by all means be on the Finance Committee. That probably is right, because we always finally wind up in having too large a Committee rather than one too small.

With regard to Messrs. Donner, Coyle, Curtice and E.Fisher and your suggestion with regard to them, I read into it the type of organization you employ at Wilmington. All I can say, as I have said so many times, is, that that does not apply here. The functions of the members of your Executive Committee in Wilmington are, to a very important extent, discharged in General Motors by highly organized staff activities. There is no room in the General Motors scheme of things for men such as you specify, to act as members of the Executive Committee without executive responsibility. Under normal conditions, the Executive Committee might be expected to meet, at the most, twice a month. You must remember that in General Motors we do not look upon the Executive Committee as a creative body, but rather as a judicial body. In General Motors, the creative type of thing is taken care of by the functional policy groups. That comprises, as you know, the Chairman of each functional group (who is the staff Vice President in charge of that activity) supported by the general executives of the Corporation, including members of the Policy Committee as well as of the Administration Committee. In dealing with these things, we must recognize how these functions are discharged in General Motors as distinguished from duPont. Perhaps I could emphasize that somewhat by using an illustration:

Let's suppose (speaking of normal times) that we have up for consideration, the next year's product. This problem is discussed in very great detail by the Automotive Products Policy Group. There are on that Group, executives in the Corporation who are best qualified to deal with that problem, and the Group is set up so that we have sales atmosphere, engineering atmosphere, economic atmosphere and, to some extent, the general atmosphere.

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Page #4
Mr. Lammot duPont
April 13, 1942

The Chairman of that Group is in contact with the chief engineers of the operating divisions and likewise in touch with the General Managers. The whole scheme of things for the next year's products evolves out of that creative effort. It then goes, at present, to the Administration Committee, for approval: Thus the Administration Committee is a judicial group -- not a creative group.

Altho it is a detail, I might refer to what Walter says about a "must" assignment. Frankly, I think that if anybody accepts the responsibility it ought to be a "must" assignment and it ought not to be a qualified one, except in the case of a temporary situation.

In the last paragraph of your letter you bring up the question of the so-called "duPont influence". I understand how you view that and I do not know as I differ greatly with you from the standpoint of the general trend of affairs, but at the same time I hold that while the responsibility is there, it must be discharged. It can not be dodged. And, as I said at the beginning of this letter, entirely irrespective of that situation I still feel -- and here is really the most important point I have to make in the whole discussion -- that the top Committee should be the top Committee; and not one having only equal power with the other Committees; and that it should be comprised of personnel representing the interests we have discussed; viz., that it should deal with broad questions of operating policy as well as with financial policies - the former from the standpoint of a general review and the latter from a more definite standpoint of established policy, but particularly we should always recognize the importance of having on that Committee a cross-section of interests.

Very truly yours,

Alfred P. Sloan

APSJr./K

c/c Mr. W.S.Carpenter, Jr.

NOTE: "Received Apr 15 1942 Lammot du Pont" is stamped at top of first page; "gmc-499" is written in lower right corner of each page.

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Government's Exhibit No. 205

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK, N.Y.

May 29, 1943

Mr. Lammot duPont
Chairman of the Board
E. I. duPont deNemours & Company
Wilmington, Delaware

RE: GENERAL MOTORS ORGANIZATION - 1943 POLICY COMMITTEE

My dear Lammot:

I am turning over in my mind, our top organization scheme for the forthcoming year, more particularly from the standpoint of personnel. The purpose of this letter is to present a suggestion to you. I am sending copies of this letter to Messrs. Carpenter and Whitney.

Do you think it would be helpful to increase the membership of the Policy Committee by one, and include Mr. Kettering in the group? I will explain what the situation is. no

So far as Mr. Kettering's contribution to the Corporation and to the progress of the world in general is concerned, I would be completely inadequate to properly express the conviction of all of us. I have not, down through the years - and perhaps I have made a mistake - asked Mr. Kettering to serve on Committees or in Groups outside of those directly concerned with technical matters in which, of course, he is always included. OK

My reason for this has been, that he is so engrossed with technical matters and has been relatively little interested in matters of general policy, that through his personality and the interest that he can always develop, the meetings become one of listening rather than one of doing business. It is probably good for all of us and we profit thereby, but business must be carried on. good reason

In the last two or three years, quite a change has taken place. Mr. Kettering indicates a broadened interest in matters outside of the technical area. Altho I know he was always critical of me in my tirades against the New Deal, yet, in a different way, he now finds himself in about the same position. He never used to come to the Board meetings. Now he frequently comes. Perhaps that's because in the last year or two the meetings have been more interesting due to the charts, etc. I put him on the Post-War Planning Group and he comes almost every time, and seems to be tremendously interested in what we are trying to do. perhaps well

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Page #2
Mr. Lammot duPont
May 29, 1943

Now I hate to make these Committees too big. Even if after a great struggle we manage to get them set up with a reasonable number of members, and even if we consistently follow the formula that we use in setting up the membership, it seems logical to add others. Witness the present War-Administration Committee! And here we have rigidly adhered to the formula on which its membership has been planned. This is a point that should be taken into consideration.

There is another phase of it that is important, I think; viz., that Mr. Kettering, like all the rest of us, is not as young as he was at one time. The time will come perhaps - altho I do not think it applies to him as much as it might to others - when he will want to ease off on the intensive work he is doing. As one of the largest stockholders - a man of tremendous capacity, especially along the lines on which our success or failure depends - he would, if he would take a broad interest in our problems, be, for many years to come, a useful contributor to the policy phase of the Corporation's activities. [illegible], for lack of experience [illegible]

I thought if Walter, George and youself thought well of it, I would discuss the matter with him. He might feel that he was not interested in matters so purely business and technical, outside of his own normal area. He might think otherwise. In any event, I really think he would be pleased to be included -- almost any one would be.

I would appreciate your reaction.

Very truly yours,

Alfred P. Sloan Jr.
Chairman

APSJr./K

NOTE: "Received Jun 1 1943 Lammot du Pont" is stamped at top of first page. "GM-Policy" appears in upper right hand corner of first page.

Government's Exhibit No. 207 · 3468

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK N Y (19)

September 23, 1943

Mr. Walter S. Carpenter, Jr.
President
E. I. duPont deNemours & Company
Wilmington, Delaware

RE: GENERAL MOTORS ORGANIZATION - BOARD OF DIRECTORS MEMBERSHIP

My dear Walter:

I have your letter of September 22nd, referring to the above matter and also to our discussion at your Finance Committee meeting in Wilmington, last Monday.

I certainly owe you an apology for the lack of attention to your letter of April 8th. If you had asked me whether you had ever submitted a list of proposed directors, I certainly would have bet ten to one that you had never done so, but on referring to the file I see you did. Apparently what I did was to ask Mr. Smith to have the stockholders' list examined to see whether there were any available candidates that we would not ordinarily think of. He never submitted the list until today. I think what I intended to do was to deal with it all at once and his delay in sending the list to me prevented me from doing so. I am sorry that you had to raise the question again.

Now, taking everything that has happened in the past, together with the discussion at Wilmington, and in order to make progress, I think what I will do will be to submit to you, within a few days, a list of not to exceed ten names - probably there will be eight - out of which we ought to pick four, as that was the number we discussed in the Wilmington meeting, as being desirable.

I will use the following formula, and for the following reasons:-

First: Frankly, I am opposed, and others are likewise, to further representation on the Board, of Bankers. We are all very happy with George Whitney, but if we add additional Bankers, especially now, I don't think the reaction will be favorable. I am against Bankers on Boards of industrial companies because they are accused (wrongly of course) of dominating the financial policies. Frankly, I would rather have no Bankers on the Board, for that reason. To move in that direction would, I think, be unfortunate.

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Page #2
Mr. Walter S. Carpenter, Jr.
September 23, 1943

Second: I think we should give some consideration to geographical location, and your list of April 8th, which I have referred to above, is set up on that basis.

Third: I think we must be careful to exclude those who represent interests that have relationship with General Motors, particularly in the buying and selling area.

Fourth: I will eliminate representatives of duPont and duPont affiliated companies, because I believe that you should determine what representation you want on the General Motors Board.

Fifth: I shall avoid making more than one recommendation from the same line of industry.

Sixth: I will ignore the holdings of General Motors stock, as an essential qualification.

You will hear from me shortly, with the list.

Very truly yours,

Alfred P. Sloan

APSJr./K

c/c Messrs. Lammot duPont
Donaldson Brown

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Government's Exhibit No. 208

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GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK N Y (19)

February 11, 1944

Mr. Walter S. Carpenter, Jr.
President
E. I. duPont deNemours & Company
Wilmington, Delaware

RE: GENERAL MOTORS ORGANIZATION - BOARD OF DIRECTORS MEMBERSHIP

My dear Walter:

I have your letter of February 10th, contents of which I have carefully noted. Thanks for the selection. As soon as I receive replies from others, which I have not as yet, I will analyze them all and then make a report and we can see what should be the next step.

You mention in your letter, you recall, certain individuals which were listed by you and which did not appear on the list of candidates selected by me. Here is the answer so far as that is concerned - perhaps it is right and perhaps it is wrong -- I don't know.

Almost everybody here feels that it would be unwise for General Motors to add to its Board of Directors, important executives in large banks. We have, of course, George Whitney. He is an outstanding citizen and makes an outstanding contribution to the Policy Committee and to the Board, and I am not so sure that if we were certain that we could get another individual who would do as much, that, from what I am saying, would be made secondary to the fact that, after all, we want results. Anyway, Leon Frazer; Alexander, Stanley, Mellon and others, were eliminated on principle and not for any other reason. Please give me your reaction on this.

I might say further on the point, that I do not feel as strongly against an important bank outside of New York as I do inside New York, but I think to have three or four of the big banks represented on the General Motors Board of Directors, needs some consideration. So far as R. K. Mellon is concerned, of course I know him very well. Here again you raise the point of having on our Board, the duPont group; J. P. Morgan, the Mellon interests, etc. Again, I would be willing to forget all this if we got the results that you have in mind.

In commenting as I have above, I do not want you to think I have accepted the philosophy that the public relations is determining the policies of General Motors. As a matter of fact, I am fighting that policy all the time because there is too much of it already, but I do think, as a practical point, we do not want to furnish too much ammunition for those who think that nothing can

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be done in General Motors except we consult J. P. Morgan & Company. I don't know whether you ever heard J.T. say or not, but during the bonus suit, Judge Leibell was heard to say that I, as President of General Motors Corporation, could not adopt any policy without it was approved by Mr. Morgan. You can just see how far reaching that type of thing goes.

While we are talking about the objective which you have in mind, I am wondering whether it would not be wise to add one more to our Policy Committee if we could get the right person, particularly having in mind what you say in next to the last full paragraph on Page 1 of your letter. I had in mind raising the question with Lammot, yourself and others, at the proper time, but it does seem to me that just having in mind the second point you make, that some one might well be picked out by the duPont group to serve on our Policy Committee so that over a period of years they would learn to understand the business, just the same as Lammot and yourself do, at the moment.

Again dealing with your second point and having reference to the preceding paragraph of this letter, I feel that we are all apt to exaggerate what a Director can contribute to any Corporation. I am speaking, of course, of any large Corporation. Take your own Company, as a case study. I am not talking about what they might contribute as operating people. The smaller the Company and the smaller the Board, the less of course this applies because they can get closer to the business. I do not know but what the same applies in general to our own Board here, and we must recognize that on your Board and ours here we have many Directors who have grown up through the organization and who know a great deal about the background of the business, the personnel, the problems, and all that sort of thing. When we pass from such a set-up to dealing with people who have none of these qualifications, you not only have the time element, which you point out, but you also might ask yourself the very realistic question as to whether they have an opportunity to do what we too often think ought to be done.

Expressed otherwise, what I am trying to say is, that the real opportunity to serve in the way you and I are thinking about - at least academically - is on the Policy Committee rather than on the Board of Directors. Perhaps you may say that the latter leads to the former.

Very truly yours,

Alfred P. Sloan Jr.
Chairman

APSJr./K

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Government's Exhibit No. 209

May 22, 1944.

PERSONAL & CONFIDENTIAL

Mr. Alfred P. Sloan, Jr., Chairman,
General Motors Corporation,
New York City, N. Y.

Dear Alfred:

At the meeting of the du Pont Finance Committee today, I orally and informally laid before the Committee the question of relieving Walter Carpenter of some of his responsibilities and work. No action was taken and none was suggested.

All of the members of the Committee were present, except Pierre, although Don had to leave to catch a train and did not participate in much of the discussion.

It seemed to be agreed unanimously, and Don concurred in this, that Walter should in some way be relieved of part of his burden of work and that it should be done promptly. It was also the unanimous opinion of those present, but I am not sure that Don concurred in this, that the best method of relieving Walter was by relieving him of the duties of G. M. Policy Committee membership. By "promptly" was meant at the first opportunity after the reorganization meeting of the G. M Board. It seemed undesirable for Walter to fail of reelection to the General Motors Policy Committee, as contrasted with separation by voluntary resignation.

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There was considerable discussion as to who should replace Walter on the Policy Committee. I mentioned the suggestion that developed when you, John Pratt and I were talking of the matter recently. We all see your point of view that the most desirable member of the Policy Committee is one who has had the broadest business experience, but not necessarily longer or outstanding experience in any particular function of business management, particularly mechanical engineering; because G. M. has an ample supply of that talent in its own ranks. It seems that in the du Pont organization there is a lack of men of very broad business experience in a variety of functions, except those who are 55 years of age or upwards. The members of the Committee were impressed with the fact that if a new man goes on the G.M. Policy Committee today, he will not be thoroughly familiar with General Motors problems, its organization, its personnel, and its business for several years. Suppose it requires five years to get the "atmosphere." Consider the situation five years hence. A man over 55 now would be over 60 then and would have a useful life of a comparatively few years; whereas a younger man, aged 40 to 50, would have something like three times the prospective useful life after the process of education in G.M. affairs.

It is also true that if you selected any of the older and more mature executives for membership on the G.M. Policy Committee it would almost necessitate making some

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changes here to relieve him of part of his present burdens. I mentioned this in connection with the man you suggested and stated that, in my opinion, it could be done, but that would not prolong his useful activity, as compared with a man ten years his junior.

The upshot of the discussion was the consensus of opinion that we should suggest to you the selection of H.B. as Walter's successor. He is now 45 years of age. He has been a Vice-President and member of the Executive Committee since 1939. In that position and as Assistant to the President previously he has become thoroughly familiar with du Pont operations, and is thus well equipped to bring to G.M. the value of du Pont Company experience and judgment.

H.B. is now Chairman of the G.M. Audit Committee, I believe. Electing him to the Policy Committee would require a change. Although this was not discussed in the du Pont Finance Committee, my suggestion would be that Angus Echols be added to the G.M. Board, and he would be admirably equipped to be a member of, or Chairman of, the Committee on Audit. Angus, as you know, was for many years Treasurer of the du Pont Company, is now Chairman of the Finance Committee and Vice-President in Charge of Finances.

If agreeable to you, I would like to bring this matter before the Policy Committee for discussion at the next meeting.

Yours sincerely,

CHAIRMAN OF THE BOARD.

LduP/MD

Government's Exhibit No. 210

Letterhead of
E. I. du Pont de Nemours & Company

July 12, 1944

Mr. Lammot du Pont
Building

I submit the following thoughts to serve merely as a basis for more thought and discussion on the subject of du Pont's position on the General Motors Board.

I suggest that the following changes might be made in du Pont's representation on the Board. I have not considered Mr. Brown in these lists, and certainly would suggest no change in his status in this respect.

PRESENT LIST	PROSPECTIVE LIST
Lammot du Pont	Lammot du Pont
H. B. du Pont	H. B. du Pont
J. J. Raskob	J. J. Raskob
W. S. Carpenter, Jr.	W. S. Carpenter, Jr.
P. S. du Pont	A. B. Echols
H. F. du Pont	(Lammot Copeland or
	(Emile du Pont

With respect to the du Pont members on the Policy Committee, I suggest for the present that that remain as at present, namely, Lammot du Pont and W. S. Carpenter, Jr.

With respect to the Bonus Committee, I suggest my withdrawal to be replaced by H. B. du Pont. Belin is our advisor on salaries here and, therefore, has occasion to interest himself actively in this general subject of compensation. In addition this will afford him an excellent opportunity of better familiarizing himself with the personnel in General Motors. As a matter of fact, he can; because of his position

there carry his inquiry with respect to important personnel as far as he may wish to. This will afford a constructive background with respect to the selection of future important personnel in the General Motors.

My present thought would be, also, that he would succeed to the first vacancy in du Pont representation on the Policy Committee. In order to better equip him for this it might be wise for him at the present time to review the Operating reports which come to the Policy Committee and offer any suggestions he may wish, through you or through me, to the Policy Committee meetings.

—2—

I suggest that H. B. du Pont retire from the Audit Committee, and that his place be taken by Mr. A. B. Echols. Mr. Echols is eminently qualified to serve as Chairman of the Audit Committee, and in that position will be able to review the performance of General Motors, not only from a purely auditor's standpoint, but that will serve him also as an excellent opportunity to keep in touch with the general financial position of the Company.

As Mr. H. F. du Pont has now retired from the Finance Committee of the du Pont I suggest that his place be taken by some member of the present or prospective Finance Committee. In this connection, I suggest the name of Lammot Copeland or possibly Emile du Pont, if it is probable that he will eventually become a member of the Finance Committee.

In addition to these changes, it seems to me that we should urge the selection of additional Directors to the

Board as we have already so many times discussed in the Policy Committee.

/s/ W. S. Carpenter, Jr.
President

WSC:R

Note. "Received Jul 12, 1944 Lammot du Pont" stamped at top of first page. In fourth paragaph the words "I suggest my" are underlined. Next to this the following note has been written: "All O. K. but does not meet the main requirement except in my minor degree as noted here." These notations do not appear on GMC-420. "File Copy" stamped across each page of GMC-420.

Government's Exhibit No. 217

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK. 19. N. Y.

May 3, 1945

Mr. Walter S. Carpenter, Jr.
President
E. I. duPont deNemours & Company
Wilmington, Delaware

RE: GENERAL MOTORS CORPORATION - BOARD OF DIRECTORS - MEMBERSHIP

My dear Walter:

I have your letter of May 1st regarding the above subject and would like to pursue the matter a little further, if I may, at the moment.

I have a letter from Lammot and he is entirely satisfied with the suggested candidates providing that neither of them are on the operating side of the business which, as I said in my first letter supplemented by my second, is not contemplated. In other words, I agree on this.

However, I don't see completely eye to eye with Lammot about outside directors. He looks upon the "duPont directors" as outside directors. They are, of course, technically. But, as I have said to him, the "duPont directors" on our Board, like the operating people on our Board, believe in concentrating about all they have in the business of duPont and General Motors whereas directors of the Whitney and Douglas type operate in quite a different atmosphere. That is probably a part of the banking business. Whether it is a part of the insurance business, I don't know.

George Whitney belongs to the Board of Directors of quite a number of industrial organizations. He gets around a lot because he lives in New York where many contacts are easily and continuously made.

Mr. Douglas is, in a way, quite a public character. He seems to spend a great deal of time in other things. How he gets along in the insurance business, I don't know.

It seems to me, therefore, that such people do bring into our councils a broader atmosphere than is contributed by the "duPont directors" and the General Motors directors.

Knowing that you have been interested in expanding our Board and that others agree, whereas perhaps some others do not feel so strong about it, do you think that with these two candidates referred to in my letter as joining with us at the proper time, that we should seek other candidates

Outside - Objective.
Cannot be accused of interest in management or bonus etc.
Eligible for Audit, Bonus Com.

Fishers
Might have both out.

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more from the outside. This really raises the question as to whether you think an outside director can contribute much? Certainly George Whitney contributes a very great deal. He has been with us for a long time. He sits in at Policy Committee meetings and he is quite familiar with our business. A director not on the Policy Committee does not have that opportunity.

Very truly yours,

Alfred P. Sloan Jr.

Chairman

APSJr./K

1196

Government's Exhibit No. 220

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK 19, N. Y.

December 10, 1945

Mr. Walter S. Carpenter, Jr.
President
E. I. duPont deNemours & Company
Wilmington 98, Delaware

RE: GENERAL MOTORS CORPORATION - BOARD OF DIRECTORS MEMBERSHIP - GENERAL MARSHALL

My dear Walter:

John Pratt has been urging upon me the consideration of General Marshall as a member of our Board of Directors, and altho for various reasons I am not very sympathetic to the idea, I think that others ought to know about it because my point of view may be wrong.

First: John has been impressed with what General Marshall has done in organizing the Army for war. He is impressed with the fact that the General has selected younger men and has promoted them over older men. In other words, in some cases he has taken associates of his at West Point - men whom he has grown up with - and given younger men preference, in one way or another. John seems to think that if he is a member of our Board of Directors he may present a point of view on that that will be helpful.

My point of view is that where the Army has been expanded 100% it is both easy and essential that the younger men be given higher places because there are not enough to go around. Personally, I don't think, on the record, that our position is at all unfavorable with regard to the promotion of younger men. John makes the point that he is not concerned with the job. What he is concerned with is the increasing age of the lower levels of administration. But he is talking about broad generalities without specific knowledge. I do not think the actual facts make that particularly important. I also make the point against the proposal that a director, as such, can do very little except make a comment once or twice about a point that he has in mind. The only way to make the point effective, if it is sound and desirable, is to hammer at it continuously day in and day out and maybe after four or five years you begin to get somewhere. A director is not in a position to do that. What I am trying to say is, that the philosophy has got to be accepted by the administration as a part of their operating technique and I feel quite certain as it stands now, the administration recognizes the point that John is trying to make. Therefore, from that point of view I think very little would be accomplished.

Second: General Marshall is 65 years old. And while he undoubtedly is very active, intelligent, experienced and all that sort of thing, the question arises as to whether we should take on, as a new director, any one in that age area. John agrees with that, in part and has technically withdrawn his

recommendation on that count. But I still think that others ought to know about it because other considerations might over-balance that point.

Third: I said to John that I thought General Marshall might do us some good, when he retires, following his present assignment - assuming he continues to live in Washington; recognizing the position that he holds in the community and among the governmental people and the acquaintance he has - and he became familiar with our thinking and what we were trying to do, it might offset the general criticism as to the general negative attitude toward big business, of which we are a symbol and a profitable business, as well. It seems to me that might be some reason, and in that event the matter of age would not be particularly consequential.

I should like to have your point of view.

Very truly yours,

Alfred P. Sloan Jr.

Chairman

APSJr./K

Government's Exhibit No. 221

December 13, 1945.

Mr. Alfred P. Sloan, Chairman,
General Motors Corporation,
Broadway at 57th Street,
New York 19, New York.

Dear Alfred:

Your letter of December 10th, in regard to General Marshall as a member of the Board, was duly received.

In general, my thinking is the same as you have indicated yourself. Put briefly, I would not favor his election to the Board, although I have a great admiration for him in his military work, and have met him in that connection two or three times, and always received a favorable impression.

My reasons for not favoring his membership on the Board are: First, his age; second, his lack of stockholdings; and, third, his lack of experience in industrial business affairs.

Yours sincerely,

CHAIRMAN OF THE BOARD.

LduP/MD

NOTE: Figure after "gate-" is "534".

Government's Exhibit No. 222

DU PONT
ESTABLISHED 1802

E I DU PONT DE NEMOURS & COMPANY
INCORPORATED
WILMINGTON 98, DELAWARE

EXECUTIVE OFFICES

February 26, 1946.

Mr. Lammot du Pont
The Villas
Worth Avenue
Palm Beach, Florida

Dear Mots:

Alfred just left the office after having lunch with us. Pierre, Angus, Belin and Mots Copeland joined us. Alfred's talk, of course, was on the subject of organization.

Alfred talked at considerable length to give some of the newcomers somewhat of a background, but he led up to these rather specific suggestions, in which all of us expressed our approval. He said that it was his idea to explore the matter first with practically all of the Directors and bring the matter up for formal action at the April meeting. He seemed pretty well satisfied that the program would meet with general acceptance. His program is as follows:

The By-laws would be amended to provide that the President would be the Chief Executive, rather than the Chairman.

Alfred would retire as Chairman and Don Brown would take his place.

Alfred would for a period, perhaps one year, continue to serve as Chairman of the Policy Committee, but he would actually move his office out of the General Motors Building -- probably over to Rockefeller Center where he now has a personal office.

Alfred would not serve on the several Policy groups, though possibly Don Brown would do so. However, it would be very clearly understood that the Chairman would not exercise administrative functions, except possibly that he might continue to have general supervision over finances and perhaps over that part of Public Relations involving financial questions. Except for that, the Public Relations would report to the President.

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Probably Donner and his office would continue in New York, though that might be a matter of further discussion and be largely influenced by Donner's own viewpoint in the matter.

The Legal Department would report to the President and perhaps eventually, with the retirement of John Smith, the head office of the Legal Department would be located in Detroit.

Alfred suggested the putting of Curtice on the Policy Committee, though indicated that that might not be happily received by Wilson and Co. As an alternative to that, I suggested putting E. F. Johnson on the Policy Committee, which he seemed to accept, I thought, with some enthusiasm.

I think, generally speaking, that covers the program.

I understand that it is Alfred's plan to return to Palm Beach for a few days after staying here a couple of weeks.

Yours sincerely,

WSC/jvt

Government's Exhibit No. 224

32

May 22, 1946.

Personal & Confidential

Mr. Donaldson Brown, Vice Chairman
General Motors Corporation
New York 19, N. Y.

Dear Don:

At the present time there are five men on the General Motors' Board (L. du Pont, A. B. Echols, H. B. du Pont, L. Copeland and W. S. Carpenter, Jr.) who are members of the du Pont Board and who are not officers of General Motors. In addition there are, of course, you and Mr. Sloan, who are members of the du Pont Board and also officers of General Motors.

You will recall that at the last Finance Committee meeting here Lammot indicated his disposition to resign from that Board at its next meeting, which will be on June 3rd. There was also some discussion regarding a successor to Lammot, in order that our representation there might continue in the future substantially as it is at present.

Later in the day you, Lammot and I discussed the question of your own withdrawal as an active officer in General Motors. While I regretted that very much at the time, and still do, I gathered that you had pretty well made up your mind to do so. While I am still not hopeless in this connection, I do presume that it is appropriate to consider what alternatives might hang upon your decision to go through with your present plans and it is in that connection, and only in that connection, that I bring up the following.

Specifically, my inquiry is this -- If you should decide to resign as an officer of General Motors, may we assume for the present that you would be willing to continue at least as a member of the du Pont Board and Finance Committee and also that you would continue to remain as a member of the General Motors' Board, and, in that way, serve as a replacement of Lammot on that Board as a representative of du Pont's interest on that Board?

I can think of many reasons why this would be a desirable arrangement.

I goes without saying that your knowledge and background of experience of the General Motors' situation equips

3486 1

you eminently well to serve in this capacity, with benefit both to du Pont and General Motors.

I think that your continuance as a member of the General Motors' Board would tend to soften somewhat the shock at this time of the withdrawal of both you and Lammot at the same time.

I feel that by your continuing this interest in General Motors, it tends to dissipate any unhappy feeling upon the part of the General Motors' official family that your withdrawal from active service there might otherwise create.

You will recall that at our last Finance Committee meeting here it was suggested that we have a meeting on Wednesday, the 29th, to consider a replacement for Lammot. I have not discussed this question with any members of the Finance Committee since our last meeting, so that, in that respect, I am not in any position to suggest this as a definite plan, but offhand I cannot feel that there would be anything but an enthusiastic acceptance of this arrangement if agreeable to you.

Will be very glad to hear from you at the earliest date you feel you care to reply.

Yours sincerely,

WSC/jvt

NOTE: "gmc-404" is written in lower right corner of each page.

Government's Exhibit No. 228

3487

GENERAL MOTORS CORPORATION
BROADWAY AT 57TH STREET
NEW YORK 19, N.Y.

September 30, 1947

Mr. Walter S. Carpenter
President
E. I. duPont deNemours & Company
Wilmington 98, Delaware

RE: GENERAL MOTORS ORGANIZATION - BOARD OF DIRECTORS

My dear Walter:

Our loss in the death of John Thomas Smith creates, of course, a vacancy on our Board of Directors, also on our Financial Policy Committee. The purpose of this letter is to deal with those facts.

I wrote you some time ago suggesting that Nick Dreystadt be elected to the Board of Directors. Almost since the beginning, the chief executive in charge of Chevrolet, has been on the Board. Nick Dreystadt qualifies in every way plus, and I think that he is entitled to the recognition. I am sure you do too except for the fact that it drives us more into an increase in the membership among those who are in the operating organization. However, time will take care of this, up to a point. I am inclined to think that irrespective of the point, which I appreciate, we ought to go ahead and elect Nick at the October meeting.

With regard to the Financial Policy Committee, it was my thought in dealing with the membership of first Policy Committee, that we should have some operating people and some people completely detached - preferably large stockholder interests and also others who were familiar with the operating organization, who would concern themselves only with the policy phase of the business. With the separation of the Policy Committee into two parts, I think that the same rule applies and that we should give consideration in the membership of this Committee again to large stockholder interests and, again, those who knew something about the operations of the business itself. This latter group would naturally include executives who had retired and who would still be effective from the policy point of view - at least for a certain number of years. I feel quite strongly that we should not increase the membership of the Financial Policy Committee by bringing in executives who are still active in the administration end of the business. They belong in the Operations Policy Committee, according to my point of view.

If this is correct thinking, then E.F.Johnson would be eligible; likewise Ed.Fisher. There are no retirements pending that would make other candidates available within the formula I have suggested, within the next three years. O.E.Hunt would be the next eligible candidate on the basis of that formula, but before that time other changes will certainly develop. The question also arises

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whether you feel that there should be another representative of the duPont Company on this Committee. Technically, you already have two members - Don and yourself, but Don is not active in the duPont organization and perhaps you might think you would rather have somebody who was more active. For instance, Echols or perhaps Henry duPont. Either of these would add weight to the Committee, I am sure, particularly Echols because of the financial and other problems that arise. Such candidates also would be within the formula which I have already mentioned.

C.F.Kettering would also be eligible under the rule; likewise C.S.Mott. I don't think C.S. would fit into the picture very well, for a good many reasons and I do not think he would be enthusiastically received by the administration end. So far as Ket is concerned, I do not think he would contribute much to the particular problems that come before the Financial Policy Committee and I think he would perhaps be likely to reduce the efficiency of our meetings by leading us into most interesting subjects but not in any sense related to the purposes of this particular activity.

There is no reason why we should take action on these matters at the October meeting unless we are ready to do so.

Very truly yours,

Alfred P. Sloan Jr.

Chairman

APSJr./K

NOTE: Figure after "gmc-" is "394".

1205

Government's Exhibit No. 231

3489

GO-3

To LAMMOT DU PONT   DATE 9-16-48

FROM W. S. CARPENTER, JR

I would like to talk to you about this sometime.

I am wondering whether an objection to the inclusion of a director solely on the ground that he may be a supplier comes with good grace from us, in view of our own position.

It is true that because of our stockholdings we are surely entitled to representation on the G. M. Board but in spite of this we cannot urge too strongly that a supplier is, irrespective of other merits, to be disqualified.

true, but have he the "other merits"? I think being a stockholder is a very important one.

du Ponts position as a supplier or customer is overshadowed by the stockholdings

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NOTE: "gmc-800" is written at lower right. "Received SEP 16 1948 Lammot du Pont" is stamped at top.

Government's Exhibit No. 232

GENERAL MOTORS CORPORATION
BROADWAY AT 57TH STREET
NEW YORK 19, N. Y.

September 15, 1948

Mr. Walter S. Carpenter, Jr.
Chairman - Board of Directors
E. I. duPont deNemours & Company
Wilmington 98, Delaware

RE: GENERAL MOTORS - BOARD OF DIRECTORS - MEMBERSHIP

My dear Walter:

I am rather disappointed that I shall be unable to be in Wilmington on Monday at the time of the next Board of Directors meeting because, of necessity, I am leaving that day for Murray Bay - a fact which you of course fully appreciate. I am inclined to think perhaps I will ask for an appointment in Wilmington within a week or two because I would like to get some further action on the above subject. In the meantime I would like to ask for what I might call a ruling, or point of view on your part, as to one specific phase of the matter.

I have in mind two or three industrialists who would add prestige and bring experience into our Board of Directors. They are people who I am sure would be helpful in the years to come. In one case the individual is head of a corporation which is a supplier to General Motors to the extent of 20%; the other is Chairman of the Board representing a stockholder interest having very little to do with operations of a corporation which also has about 20% of General Motors business.

A

B

I realize the importance of having not only men of experience and ability, but I would like to have industrial experience in a financial line rather than pure banking experience which, unless it is supported by a good deal of contact with industrial problems, is, from my point of view, more or less academic. In trying to pick out candidates of this type, with our ramifications so broad, we usually find some relationship such as I have mentioned above.

C

Now I realize that it would be better to have members on our Board having no relationship whatsoever with a corporation of a business character; at the same time should we accept this as a definite rule? If we should say that an individual is not a candidate if he was connected with a corporation which was supplying us material to the extent of not to exceed 20% of our needs, should that be a barrier and prevent us from considering men in that position?

3491

Mr. Walter S. Carpenter, Jr. - 2 - 9-15-48

I have just written a letter to Henry Hogan asking for opinion from the Corporation's point of view. As a matter of fact, I am inclined to think that my question perhaps has more bearing on the men who accept the appointment than it would as to General Motors. D

What I am really asking, therefore, is:- Would you be prepared to accept as eligible for our Board of Directors, men whom you would be glad to have, from every point of view except that they might have relationships as a supplier to the extent of 20% of General Motors needs.

Very truly yours,

Alfred P. Sloan Jr.

Chairman

APSJr./K

NOTE: "gmc-800" is written in lower right corner of each page.

60-3

Government's Exhibit No. 233

MEMORANDUM

MR. W. S. CARPENTER, JR.:

Here are some of my thoughts as to the attached.

Du Pont's position as a supplier or customer of General Motors is overshadowed by its stockholdings.

It is true that du Pont should not urge too strongly that a representative of a supplier should not become a member of General Motors' Board, but should always consider whether the nominee has the "other merits." I think being a stockholder is a very important one.

At point "A", on Alfred's letter, I would remark that it is not the per cent of requirements supplied to General Motors that counts, so much as the dollars involved. The question is whether the amount of money involved is large enough to support charges of "conspiracy" or evil doing; 20% of General Motors' buyer requirements might be large enough.

At point "B" on Alfred's letter, I would remark that apparently neither "case" owns any General Motors stock.

At point "C" on Alfred's letter, I would remark that experience and ability are desirable, but General Motors is well supplied with those. What it lacks, or may in future lack, is Directors who are stockholders, but who are not employes or former employes.

At point "D" on Alfred's letter, I would remark that the question does not seem to me to be a legal one. I am satisfied that there is no illegality in stockholders electing anyone they see fit. Election of some individuals might cause suspicion, but, of course, would not constitute proof.

LAMMOT DU PONT.

Wilmington, Delaware,
September 17, 1948.

LduP/MD

NOTE: "gmc-799" is written in lower right corner of each page.

E

Government's Exhibit No. 235

GENERAL MOTORS CORPORATION

DETROIT, MICHIGAN

June 21, 1923.

J. P. Laffey, Esquire,
E. I. du Pont de Nemou s & Company,
Wilmington, Delaware.

Dear Judge:

Enclosed please find copy of letter which I have just written to Mr. du Pont together with copy of report referred to therein. I should like very much to have you study this over and let me talk with you about it either Saturday or Sunday on my return from Detroit.

Very truly yours,

J J Raskob
Vice President

June 20, 1923.

To: Finance Committee
E. I. du Pont de Nemours & Company

From: John J. Raskob, Vice President

Mr. Donaldson Brown and I have worked out the enclosed plan which we submit and recommend for the careful consideration and approval of your Committee.

In the year 1917 the Directors of the du Pont Company after very careful consideration accepted the invitation of Mr. W. C. Durant to become interested with ~~him~~ as partners in the control and management of General Motors Corporation. This involved our investing a substantial sum of money and taking over the direction of the financial management of the General Motors Corporation. Mr. Durant in turn agreed to assume responsibility for the Executive Management of the company.

The management of the General Motors Corporation was carried along under this arrangement until the latter part of 1920 when Mr. Durant became so seriously involved financially that the du Pont Company much against its will was forced to take over Mr. Durant's personal common stock holdings in the General Motors Corporation, involving a net increase in the du Pont Company's investment in this security of upwards of 2 500 000 shares at a cost of upwards of $25 000 000.00, with the result that today we own 7 519 000 shares of General Motors Corporation common stock valued on our books at $ This gave the du Pont Company approximately 38% of the total common stock of the General Motors Corporation which is practical control and made it necessary to assume complete responsibility for the management. To properly assume this responsibility our Finance Committee called upon Mr. Pierre S. du Pont, Chairman of our Board, to take the presidency of the General Motors Corporation which he consented to do with the clear understanding that he was to occupy the position temporarily only, pending the time when a man capable of assuming the presidency permanently could be found or developed.

After occupying this position for about two and a half years Mr. du Pont felt that Mr. Alfred P. Sloan, Jr., was thoroughly competent and capable to ~~handle the presidency~~ of the Corporation and presented his resignation with the recommendation that Mr. Sloan be elected to succeed him which was done.

Mr. du Pont feels that the best manner in which to attain the greatest success possible in the conduct of the affairs of the General

—4—

"2"

Motors Corporation is for that Corporation to interest its principal men in the corporation as substantial stockholders or partners. He not only feels this very keenly, but feels too that the du Pont Company with its large and controlling interest in the General Motors Corporation has now a splendid opportunity to enhance the value of its own investment in the General Motors Corporation through giving to the General Motors Corporation an opportunity to interest its important employes as managing partners in this great enterprise. The du Pont Company is in the happy position on account of its own bonds not maturing for eight years of being able to supply a plan under which employes can purchase stock on payments deferred over a long period of time and Mr. du Pont, therefore, requested that a plan be developed to accomplish this object.

The plan which has been developed by Mr. Donaldson Brown and the writer provides:

1st. That we place 7 500 000 of General Motors Corporation common stock at $15.00 a share, aggregating $112 500 000. in the Du Pont American Industries.

2nd. That the Charter of the Du Pont American Industries be amended to change its name to General Motors Securities Company and to provide a total capitalization of 600 000 shares of common stock of the par value of $100.00 per share.

3rd. The General Motors Corporation believes that the greatest enthusiasm and cooperative effort on the part of the principal men in the corporation in the direction of serving the permanent interests and securing the best results for the corporation and its stockholders, can be secured through having these men financially interested in a substantial way in its common stock under a plan, such as hereinafter outlined, whereby their personal interests will be synonymous with those of all stockholders.

4th. The General Motors Corporation will create the Managers Securities Company under Delaware laws and will subscribe and pay in its

entire capital of $5 500 000. common stock and will then cause the Managers Securities Company to purchase 200 000 shares of General Motors Securities Company common stock for $37 500 000.00 (being ⅓ of the total stock of this company and representing ⅓ of 7 500 000 shares of General Motors Corporation common stock or 2 500 000 shares at $15.00, or $37 500 000) payable $4 700 000.00 in cash and $32 800 000.00 in 7% notes maturing April 1, 1931 and secured as hereinafter recited.

5th. In order to further carry out the intent and purpose of this plan in a still more substantial manner Mr.

Pierre S. du Pont is ready to sell 433 334 shares of General Motors Corporation common stock to the Managers Securities Company at $15.00 a share, aggregating a total of $6 500 000.00 taking in payment therefor $800 000.00 in cash and $5 700 000.00, 7% eight year notes of the Managers Securities Company hereinbefore referred to.

6th. The General Motors Corporation will then sell to a list of its important men to be selected by its Finance Committee substantially all of the $5 500 000.00 stock of the Managers Securities Company, reserving for future allotment not more than $1 000 000. of stock if in the judgment of the Finance Committee this seems desirable. The General Motors Corporation in consideration of all of the foregoing and of the willingness of the du Pont Company and Mr. P. S. du Pont to assist it in the carrying out of this plan to interest its important men in a substantial way as managing partners will enter into an agreement with the Managers Securities Company under which it will pay to the Managers Securities Company each year an amount equal to 6% of the net earnings of the General Motors Corporation after deducting Federal taxes and after deducting from net earnings an amount equal to 7% on net capital employed, which net capital shall constitute the aggregate sum total of issued and outstanding preferred, debenture and common stock, plus surplus as represented by the published annual satement of the company as of December 31 of the year preceding that calendar year in which the earnings were realized. Any new captial injected through the

—6—

"4"

issuance of preferred, debenture or common stock during any calendar year shall constitute invested capital and 7%

shall be allowed thereon for the period of time in which it is employed.

In the sale of this $5 500 000.00 stock of the Managers Securities Company to its principal men the General Motors Corporation will trustee the stock under an agreement which will provide that the corporation shall have the option to repurchase all or any part thereof at the end of any year prior to April 30, 1931, in the event of the death, disability, discharge or resignation of any employe for any reason which in the sole discretion of the directors of the General Motors Corporation shall lead them to believe that the best interests of the corporation will be served through said repurchase. In the event of the corporation exercising its option to repurchase stock from its employes as hereinbefore provided the price paid shall be determined by determining the book value of the stock of the Managers Securities Company, which book value in turn shall be determined by appraising its holdings in the General Motors Corporation and the General Motors Securities Company on the basis of the book value of the common stock of the General Motors Corporation, and payment for purchases so made shall be made to the employe in common stock of the General Motors Corporation valued at the same book value as used in the calculation above mentioned.

7th. From the foregoing it will be noted that the assets of the Managers Securities Company consist of the equivalent of 2 933 334 shares General Motors Corporation common stock

valued at $15.00 a share		$44 000 000.
And its liabilities consist of		
7%—8 year bonds	$38 500 000.	
And Capital Stock	5 500 000.	44 000 000.

The $38 500 000 7%—8 year bonds of the Managers Securities Company will be secured by all of its assets, plus the aforesaid agreement between the Managers Securities Company and the General Motors

Corporation and the terms of the bond issue will provide that the total net income after expenses of the Manager's Securities Company shall be used—

1st. To pay the interest on its bonds. And

2nd. to amortize the principal of its bonds. Provided, however, that if the Managers Securities Company in any year shall receive dividends from its holdings in stock of the General Motors Corporation or General Motors Securities Company, then and in that event it may pay to its own stockholders in dividends an amount not to exceed 7% on its own total capital and surplus.

There are attached hereto sheets showing that the Managers Securities Company will be able to pay off its entire issue of $38 500 000.00 bonds at the end of eight years, based on the assumption that General Motors Corporation will earn an average of 15% on capital employed over this period. And in addition to the payment of its total bond issue the Managers Securities Company during this eight year period will be able to pay to its own stockholders dividends arrgegating $12 465 000.00. These figures are based on the assumption that no new captial will be provided for the General Motors Corporation through the sale of senior securities, but that the corporation will put back in the business substantially one-half

of its net earnings during that period which will result in the total capital employed by the General Motors Corporation growing from about $425 000 000.00 at the beginning of 1923 to approximately $748 000 000.00 at the end of eight years.

8th. The net result of the foregoing plan is that the du Pont Company will sell to important and desirable General Motors partners one-third of its interest in General Motors Corporation common stock (which is less than the interest we acquired when we bought out our former partner — Mr. W. C. Durant) for $37 500 000.00. We will be in position to liquidate our entire indebtedness of $35 000 000.00 of 7½% notes created in order to finance this Durant purchase; will retain the

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same control of General Motors Corporation that we have today through controlling two-thirds of the stock of General Motors Securities Company with its 7 500 000 shares of General Motors Corporation common stock and will definitely tie up with us in the management and control of this huge investment the men in the General Motors Corporation who are definitely charged with the responsibility and success of the corporation.

GENERAL MOTORS CORPORATION

Apr. 30, 1923—Capital Stock		$316 000 000.
Surplus		112 000 000.
Reserves ex Dep.		13 000 000.
Pur. Money Mtg.		1 000 000.
		442 000 000.
Est. earns. on com. stock 8 mos. to 12/31/23	$54 000 000.	
Dividends " " " 1.20 reg. .70 extra	33 000 000.	21 000 000.
Est. Capital Employed 12/31/23		463 000 000.

	Est. Earns. (15% on Cap. Employed)	Pfd. Div.	Com. Div.	Total Divs.	
1924	70 000 000.	6 800 000.	(1.50)— 30 900 000.	37 700 000.	32 300 000.
					495 300 000.
1925	75 000 000.	6 800 000.	(1.50)— 30 900 000.	37 700 000.	37 300 000.
					532 600 000.
1926	80 000 000.	6 800 000.	(2.00)— 41 200 000.	48 000 000.	32 000 000.
					564 600 000.
1927	84 000 000.	6 800 000.	(2.00)— 41 200 000.	48 000 000.	36 000 000.
					600 600 000.
1928	90 500 000.	6 800 000.	(2.00)— 41 200 000.	48 000 000.	42 500 000.
					643 100 000.
1929	96 000 000.	6 800 000.	(2.00)— 41 200 000.	48 000 000.	48 000 000.
					691 100 000.
1930	105 000 000.	6 800 000.	(2.00)— 41 200 000.	48 000 000.	57 000 000.
Totals	600 500 000.	47 600 000.	267 800 000.	315 400 000.	$748 100 000.

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	Earnings	7% on Cap. & Str.	Balance	6% of Bal. to Mgrs. Sec. Co.	Divds. on 2 933 333 shs. G.M. com. to Mgr. Sec. Co.	
1923	90 000 000.	30 000 000.	60 000 000.	3 600 000.	(.60 reg.) (70 Sp.)	3 813 000.
1924	70 000 000.	32 000 000.	38 000 000.	2 300 000.	(1.50)	4 400 000.
1925	75 000 000.	35 000 000.	40 000 000.	2 400 000.	(1.50)	5 866 000.
1926	80 000 000.	37 000 000.	43 000 000.	2 600 000.	(2.00)	5 866 000.
1927	84 000 000.	40 000 000.	44 000 000.	2 600 000.	(2.00)	5 866 000.
1928	90 500 000.	42 000 000.	48 500 000.	2 900 000.	(2.00)	5 866 000.
1929	96 000 000.	44 000 000.	52 000 000.	3 100 000.	(2.00)	5 866 000.
1930	105 000 000.	48 000 000.	57 000 000.	3 400 000.	(2.00)	5 866 000.
Totals	690 500 000.	308 000 000.	382 000 000.	22 900 000.		43 409 000.

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"2"

		Payable	
		Cash	7% Notes
Buy from du Pont Company 30% of G. M. Sec. Co. Equivalent of 2 500 000 G. M. com. @ 15.	$37 500 000.	4 700 000.	32 800 000.
From P. S. du Pont 433 334 " " " "	6 500 000.	800 000.	5 700 000.
2 933 334 Totals	44 000 000.	5 500 000.	38 500 000.

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MANAGERS SECURITIES COMPANY

Estimated Income and Disbursements.

End of year	1923	1924	1925	1926	1927	1928	1929	1930
Income:								
Dividends	3 813 000.	4 400 000.	5 866 000.	5 866 000.	5 866 000.	5 866 000.	5 866 000.	5 866 000.
G.M.Payments	3 600 000.	2 300 000.	2 400 000.	2 600 000.	2 600 000.	2 900 000.	3 100 000.	3 400 000.
Total	7 413 000.	6 700 000.	8 266 000.	8 466 000.	8 466 000.	8 766 000.	8 966 000.	9 266 000.
Expenditures:								
Fed. Taxes	450 000.	300 000.	300 000.	325 000.	325 000.	350 000.	390 000.	430 000.
Bond Int. (7%)	1 347 000.	2 320 000.	2 100 000.	1 760 000.	1 400 000.	1 050 000.	690 000.	310 000.
Expenses	76 000.	70 000.	66 000.	61 000.	41 000.	66 000.	71 000.	76 000.
	(7%)	(14%)	(18%)	(24%)	(30%)	(40%)	(43%)	(55%)
Dividends	190 000.	760 000.	1 000 000.	1 320 000.	1 650 000.	2 100 000.	2 365 000.	3 050 000.
Amortization	5 350 000.	3 250 000.	4 800 000.	5 000 000.	5 050 000.	5 200 000.	5 450 000.	4 400 000.
Total	7 413 000.	6 700 000.	8 266 000.	8 466 000.	8 466 000.	8 766 000.	8 966 000.	9 266 000.
Capital Stock	5 500 000.	5 500 000.	5 500 000.	5 500 000.	5 500 000.	5 500 000.	5 500 000.	5 500 000.
Surplus	0	5 350 000.	8 600 000.	13 400 000.	18 400 000.	23 450 000.	28 650 000.	34 100 000.
Total	5 500 000.	10 850 000.	14 100 000.	18 900 000.	23 900 000.	28 950 000.	34 150 000.	39 600 000.
7% on Cap. Sur.	385 000.	760 000.	987 000	1 323 000	1 673 000.	2 016 500.	2 390 050.	2 772 000.

End of 1930	
Capital	5 500 000.
Surplus	38 500 000.
Inc. value (book) G.M.shs $15 to $30 per sh.	
2 933 334 shs @ $15	44 000 000.
Total	88 000 000.

Dividends Rec. from 1923 to 1930—$12 465 000.
equal 226% on $5 500 000 Investment

Annual Income thereafter with G. M. com.	
Divds. @ $2.00 per share	$5 866 000.
Equals 107% on Investment of	5 500 000.

Increase on original $5 500 000. Investment 16 times.

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MANAGERS SECURITIES COMPANY

	Bonds	Amortized	Balance	Interest
1923	38 500 000	5 350 000	33 150 000	1 347 000
1924	33 150 000	3 250 000	29 900 000	2 320 000
1925	29 900 000	4 800 000	25 100 000	2 100 000
1926	25 100 000	5 000 000	20 100 000	1 760 000
1927	20 100 000	5 050 000	15 050 000	1 400 000
1928	15 050 000	5 200 000	9 850 000	1 050 000
1929	9 850 000	5 450 000	4 400 000	690 000
1930	4 400 000	4 400 000	0	310 000

NOTE: "GMC 1593" is written at the bottom of the first page and "GMC 1593A" at the bottom of the remaining pages. Italics indicate handwriting.

Government's Exhibit No. 237

GENERAL MOTORS CORPORATION
224 WEST 57TH STREET
NEW YORK, N. Y.

CABLE ADDRESS.
"GENMOT"
NEW YORK

July 20, 1923.

W. S. Carpenter, Jr., Vice President,
E. I. duPont de Nemours & Co.,
Wilmington, Delaware.

Dear Walter:

Thanks very much for your letter of the 19th, and I have noted the suggestions bearing upon certain important points connected with the contemplated plan.

The first point which you touch upon is one of objection to what you style the "rigidity" of the plan. I have discussed this particular feature with you briefly and I think you understand that in the views of some of us this feature is not objectionable, but, on the contrary, is advantageous, provided the plan is administered in the way that we have in mind. I appreciate the point you make that the proposed measures to maintain a proper relative distribution of the stock in the hands of the executives may prove impracticable, but, personally, I am of the opinion that these measures would not be much more difficult in practice than are the difficulties that are experienced from time to time in connection with the annual award of bonuses under our Bonus Plan. I won't attempt to discuss this question in this

letter as it would require a good deal of space, but I believe your point is one of the most important ones to be fully discussed before the plan is adopted.

In connection with your second point of objection, there is no unanimity of opinion as to the tax feature. Judge Laffey, for instance, has considered carefully the point of view advanced by Mr. Mudge and yourself and, nevertheless, is convinced, I believe, that there is more than an even chance that the holder of stock of the management company will be immune from personal tax on account of any undistributed earnings of the management company. This question is possibly anyone's guess. The ultimate answer to this question is admittedly uncertain, and, as a matter of fact, the General Motors Corporation can be concerned with this particular feature only in an indirect way. However, from the duPont Company standpoint, the application of your suggestion, as contrasted with the conditions of the contemplated plan, affords a distinction that is very real and important. Your suggestion would ~~be~~ lead to the duPont Company selling a substantial block of General Motors' stock at 15 and receiving 12½% of the purchase price in cash and the balance in notes secured solely by the stock sold. In many cases, the ability of the obligator to pay his note would be largely contingent upon his enjoying bonuses awarded by General Motors Corporation, and except insofar as the duPont Company might feel assured that this ability would be rendered likely by virtue of future services to be performed by the individual, I do not believe that the duPont Company would be justified in selling the stock under such circumstances. If the justification lies in the probability of bonuses being earned by General Motors' employes

plus bonus

no worse than holding the stock so far as security is concerned.

To extent bonus not paid original plan was faulty.

participating in the acquisition of stock then I feel the duPont Company would be in a very awkward position in view of the fact that, by reason of its representation on the Finance Committee of General Motors Corporation, it would be in a position to largely control the award of bonuses. I have thought over this particular feature a great deal, and, although I have not discussed it particularly with Judge Laffey or with Mr. Smith, my feeling is very clear that the application of your suggestion would be so awkward and embarrassing to the duPont Company in the continued administration of the Bonus Plan as to render it highly undesirable.

The pointswhich you touch upon are absolutely fundamental to the plan under contemplation, and unless these points are judged to be unobjectionable, the plan itself cannot be adopted. I do not believe that a practicable alternative course lies in the adoption of such a plan as the one which you suggest, and while I have not attempted to outline in detail my views on the matter, I believe I have given you the basis of my thought and would be glad to know how the question strikes you on further consideration.

Yours sincerely,

Donaldson Brown
Vice President.

DB:K

NOTE: Italics indicate handwriting. "TD-188" is written at top of first page; "GMC 1594" appears at lower right-hand corner on all pages.

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Government's Exhibit No. 238

July 24, 1923.

Mr. F. D. Brown, Vice Pres.,
General Motors Corporation,
New York, N. Y.

Dear Don:

Your letter of the 20th I have received and I am following out your suggestion of letting you know how this question strikes me on further consideration.

It is my recollection that your idea of the advantage of the rigid plan as distinguished from the adjustable plan, is that it encourages a broader company interest on the part of the employees as distinguished from a departmental interest.

The broader interest has always appealed to me. There are those, however, who contend, and with some force, that the interests of the whole company are best served by a highly developed departmental interest on the part of heads of departments. Is this not the reason which has prompted the idea advanced from time to time that the compensation of employees should be measured, at least in part, by the profits of their department?

The Finance Committee in their administration of the flexible or bonus plan as suggested, can make it very readily known to even better advantage than under the rigid plan, that breadth of view point on the part of the employees will be appreciated or at least that such an attitude on their part will not be permitted to prejudice their personal interest.

The advantages which the bonus plan has over the rigid or profit sharing plan in reaching a proper determination of the compensation due each employee, are those advantages which favor 'hindsight' as against foresight. Further, in the former plan, there are those advantages over an inflexible plan which flow from the presence of that incentive for the employee to do his best knowing that his efforts will be appropriately recognized afterwards as opposed to the feeling that increased effort will probably not much alter his own compensation. Of course the original plan is not entirely inflexible, but to the extent that it approaches it, this incentive is absent.

It has been said in discussing the original plan that it will be adjustable because the Finance Committee will have the courage to adjust the quotas of the participants. The hesitation on the part of the administering body to alter the quotas will be due, in my opinion, not to absence of courage but on the contrary to the presence of a lively appreciation of the discouraging and demoralizing effect upon the part of the participants which will follow the adjustment of ratios except in extraordinary cases. The effect will be similar to that which would follow an adjustment of salaries.

If the idea of interesting the employes in an important way in the stock of the company is a good one, and in this there seems to be general assent, the advantages of an important move in this direction would probably go far to offset any necessary important disadvantages. If, however, a plan can be designed which embodies the large idea of interesting the employees in the stock but at the same time avoids the disadvantages, the net benefit should be greater in the latter plan.

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With respect to the taxable features of the two plans you say that there is not today unanimity of opinion. It is quite possible that there will be some uncertainty. There can be no differen of opinion among us, however, that this payment which would flow from the General Motors Corporation to the management corporation, in case the original plan should be adopted, would be for services rendered by the stockholders of the management corporation and that the purpose of the payment is to compensate those stockholders in addition to their salaries, not for any services performed for General Motors by the management corporation but for the services performed by the stockholders of that corporation as employees of General Motors. Thus it can be only through some technicality of the law or ingenuity in design of the plan that could enable these stockholders to avoid taxes. We must assume in advance that every effort will be used by Washington to see that it is taxable.

Let us assume for the moment, however, that the bonus payments flowing from the General Motors Corporation to the management company would not be taxable to the employee as if received directly by him, and let us examine whether this feature would be a more desirable one in the long run either for the plan or the employee than a pay-as-you go policy.

In making this assumption it naturally follows that the value of the stock of the management company which is held by the employee is gradually increased year by year by the amount of the undistributed earnings of the management company which are used toward the payment of the

notes of that company. These earnings by the way would be after the Government has taken a capital stock tax plus a

a corporation income tax on the bonus payment received. It thus follows that if in time the employee disposes of his stock in the management company; he will be obliged to return in that year a profit equal to the difference between the price which he receives for his stock and his initial cash payment for that stock. This profit will probably represent, roughly, his pro-rata of the accumulated surplus in the management company to that date. Due to the recent amendment to the tax law, this taxable profit will not be altered, I understand, by the exchange of the stock of the management company for common stock of the General Motors Corporation as is contemplated in case the General Motors Corporation should exercise its option for any reason to repurchase from the participants all or any portion of the stock originally subscribed to by them.

The original subscribers to the stock of the management company can be divided into two clases; those who make good to the extent that there is no desire on the part of the General Motors to repurchase any of their original subscription, and those who do not make good and whose stock may be repurchased under the plan.

Revised plan compels repurchase.

It is quite probable that those original participants who continue to hold their stock will accumulate in this enhancing value of the management corporation stock, a large portion of their total savings throughout the period and it is not improbable that this increased value of their stock may represent a large portion of their entire wealth. In any event, if the General Motors earnings are as contemplated this

increased value will, at the end of a few years, be a large item in itself and particularly so with respect to the individual's normal earning capacity.

If this is so, any step which might be taken by the employee in the disposition or exchange of his stock, which can be

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construed by the Department as a realized transaction, would subject that employee to a tax which would be a very severe blow to him as it would mean that the entire accumulation would then be considered as income for that one year. The conditions which might bring about a ruling on the part of the Department that would make this accumulation taxable might take one of a number of forms, among which might be mentioned, a change in the tax law or its interpretation by the Department, a change of fortune on the part of the individual necessitating a cashing in to meet an obligation, or with a desire to put some of his savings in securities of a different character, or a dissolution on the part of the management company made necessary for some reason not now apparent.

Under revised plan not merely a chance

The other class of employees, viz. those who have not made good or those who for any reason leave the service of the corporation would be subject to the chance of having their stock repurchased by the General Motors under the option agreement. In that one year their accumulation to that date would be taxable and would be taxed at increasingly higher rates of surtaxes. The knowledge of the Finance Committee that such a serious consequence would follow their exercising of their option to repurchase this stock would neither be agreeable to them nor would it encourage their taking this action. From the employee

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standpoint, to the extent that this possibility might be recognized, there would always be the uncertainty of this serious consequence.

Under these circumstances would sufficient benefit attach to the non-taxable features of these bonus payments to make them preferred over the policy of getting these tax payments behind the men so they may know just where they stand? You are no doubt

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familiar with the discouragements and annoyances which our own bonus beneficiaries are still suffering as the result of the uncertain status of the tax on the bonuses given for 1915 and subsequent years.

You question the justification for the du Pont Company selling the stock under the circumstances outlined in my letter of the 19th which you have described as selling the stock for \$15 and receiving 12½% of the purchase price in cash and the balance in notes secured solely by the stock sold. I am wondering whether I made my previous letter clear.

The revised plan calls for the sale of the stock at \$15 receiving say, 12½% in cash and the balance in notes secured by the stock sold, plus dividends on the stock, plus assignment of future bonuses which may be granted to the individual. From this total must be deducted some portion of it to be used by the employee for taxes and other personal disbursements as in the original plan.

In both plans the ultimate payment for the stock is dependent upon the value of the General Motors stock. In both cases the notes could have a maturity date which in the new plan might be more remote than in the original one.

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As I understand your point it is that in those cases where the original subscriber has been an unfortunate selection and will, under the new plan, receive less money in bonus than would be his share of the profits under the old plan, to that extent he is less able to meet his notes. That is correct.

What are the offsetting advantages in this respect of the new plan which brings about this condition and what are the complications under the old plan in the case of this same unfortunate selection?

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There is an equal chance that the lower bonuses in the few unfortunate cases will be offset by higher bonuses in the happier selections which should bring about roughly the same rapidity of reduction in the notes down to the point where the great bulk of the debt has been paid off.

The cases will be very few where the subscriber will not be entitled to some bonus over the first year or two. It will be after that time that the complications may develop. Meanwhile his initial cash payment plus his bonus have resulted in a margin on his purchase and note of substantial size, and there is left also to the company all of the security in the General Motors stock there would have been if it had not been sold. Thereafter his continued ownership of the stock, though held by us as collateral, should continue to have the beneficial effect which is the fundamental thought of the entire plan.

Under the original plan the case of the same individual brings about action of the Finance Committee on the option they retain on his stock, with the attendant difficulties mentioned, or he is permitted to continue to enjoy his equity of the profits as represented by his stock holdings but to which he is not entitled.

You say that under the new plan the du Pont men who are also on the General Motors Finance Committee are placed in an awkward position in passing on future bonuses. The conditions in this respect are very much alike in both plans with this important exception, that in the old plan this same Finance Committee fixes the amount of extra compensation for a period of years dependent upon the profits of General Motors in accordance with their expectations of services to be rendered by these men over this period which can be altered to an

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extent through repurchase of their stock, whereas, under the new plan it will be their responsibility, which presumably will be conscientiously discharged, to pass upon the bonuses of these men solely on the basis of merit as shown by the services rendered by those men over the year just past. Is there not every reason to believe that the latter is susceptible of greater accuracy and equity to all concerned than the former?

I will try to get an opportunity of talking these matters over with you as I am far from satisfied with this hasty reply which seems necessary under the circumstances.

I have given the original plan suggested quite a little thought and I believe that I appreciate the advantages to be gained by it. I have, however, been very uncertain in my mind as to whether those advantages could justify what appeared to me to be very distinct disadvantages which seem centered about the rigidity of the plan and the very unusual form of contract necessary between the General Motors Corp., and the management company. For this reason I feel very much relieved that a plan can be designed to retain the virtues while eliminating the disadvantages. I am not at all sure that the plan covered in my previous letter

is the best plan. It might develop that a far better plan can be arranged. In any event it will surely require careful rounding out.

I have discussed this matter from time to time with both Mr. Irenee and Mr. Lammot du Pont and have therefore sent them a copy of my previous letter to you. I sent also a copy to Mr. P. S. duPont. I am now sending them a copy of your letter to me of the 20th and this letter.

Yours sincerely,

V. P. AND TREAS.

wsc:w.

NOTE: Italics indicate handwriting. "T D 188" is written at top of first page and "File Copy" is printed across each page. "GMC 1596" appears in the lower right-hand corner of each page.

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E. I. du Pont de Nemours & Company
(incorporated)

July 26, 1923.

Mr. Walter S. Carpenter, Jr.

Have read with interest letters attached to yours of the 24th. Am taking the liberty of forwarding them to Pierre.

I think you have properly answered Don's objections. As a member of the General Motors Finance Committee, I am sure I would have less embarrassment in passing on bonuses after the fact than in determining them in advance.

Irénée du Pont

Irénée du Pont

Note: "TD-188." is written at the top of the page. "GMC 1597" appears in the lower right-hand corner of this page. Italics indicate handwriting.

Government's Exhibit No. 240

Lake Placid, N. Y.,
July 26, 1923.

To: FINANCE COMMITTEES:

GENERAL MOTORS CORPORATION
E. I. DU PONT DE NEMOURS & COMPANY

FROM: J. J. RASKOB

The enclosed plan, conceived by Donaldson Brown, designed to interest the managers of the General Motors Corporation as partners in its business by and through the ownership of common stock of that company, has been discussed between the officers of your respective companies and is now transmitted for your consideration and approval.

It is the consensus of opinion of the officers carrying on these discussions that it would be to the advantage of General Motors Corporation and of the duPont Company as the owner of about 38% of the common stock of the General Motors Corporation, if the managers of General Motors Corporation were more largely interested as owners of stock in said company; and to that end that stock for this purpose should be acquired by purchase upon the terms set forth in attached plan, and that the respective companies should take such actions as are necessary to consummate said plan.

The plan, including forms of agreements, etc., has been approved by counsel for both companies.

On the duPont Company's part it will be necessary for the DuPont American Industries, Inc. to

(a) Change its name to General Motors Securities Company

(b) Acquire and cancel its $20,000,000 outstanding preferred stock

(c) Increase its authorized common stock to 452,670 shares

(d) Redeem and cancel its $25,000,000 6% Gold Bonds

(e) Purchase additional General Motors common stock to make its total holdings equal 7,800,000 shares

(f) Pay all its debts so that its balance sheet will show sole assets of 7,800,000 shares General Motors Common stock with no liabilities

(g) Sell to Managers Securities Company an amount of its stock equal to 30% of its total stock then outstanding for $35,100,000 payable $4,250,000 cash and $30,850,000 in 7% Collateral Trust Gold Bonds of Managers Securities Company.

(S) J. J. RASKOB
Vice President

Plan of Managers Securities Company

1. The General Motors Corporation will cause a corporation (Managers Securities Company or other appropriate name) to be organized under the laws of Delaware, with an authorized capital stock of 50,000 shares of the par value of $100 each. Upon the organization of this Company it will enter into a written contract with the General Motors Corporation wherein it will be covenanted and agreed—

(a) Upon the part of Managers Securities Company that it will sell and deliver to General Motors Corporation its entire unauthorized issue of capital stock at par payable in cash.

(b) Upon the part of the General Motors Corporation that in consideration of the premises and the sale of the entire issue of authorized capital stock aforesaid at par, the General Motors Corporation shall, on or before April 15th in each year, commencing with April 15th, 1924, and ending April 15th, 1931, pay to the Managers Securities Company 5% of the net earnings of the General Motors Corporation for the preceding calendar year after deducting from said net earnings 7% on the capital employed during said year. (See contract attached hereto).

2. The General Motors Corporation will thereupon sell to such managers (including directors who are occupying managerial positions) of the General Motors Corporation and subsidiary companies, as the Finance Committee of the General Motors Corporation, or a sub-committee thereof, shall from time to time determine, such amounts of the capital stock of the Managers Securities Company

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as said committee shall determine and in such amounts to individual managers as said committee shall fix, at not less than cost upon such terms as to time of payment as may be agreed upon between the purchaser and said committee or sub-committee. All sales of stock of the Managers Securities Company to managers as aforesaid shall be covered by a written contract between the seller and the purchaser (form attached) wherein it shall be provided that in consideration of the sale upon the terms provided in said contract and the purposes for which said sale is made to the purchaser and of all the premises, the purchasers shall give and grant to General Motors Corporation an irrevocable

—2—

option to repurchase the shares of stock so sold at any time between January 1st and May 15th in any year up to and including May 15th, 1930, at the net asset value thereof as of April 30th in the year in which such option is exercised. For the purpose of determining said net asset value, the General Motors Corporation common stock and the General Motors Securities Company stock owned by the Managers Securities Company shall be appraised on the basis of the net asset value of General Motors Corporation common stock as shown by the published statement of assets and liabilities of General Motors Corporation as of December 31st of the year preceding the year in which said option is exercised. Payment for purchases so made under option herein granted shall be made by the General Motors Corporation in common stock of the General Motors Corporation at the same net asset value as used in determining the net asset value of the Managers Securities Com-

pany stock as hereinabove set forth. If any purchaser dies or ceases to be employed by the General Motors Corporation or a subsidiary corporation thereof during the life of said option the General Motors Corporation shall exercise said option and purchase his stock on the terms and at the price aforesaid. Further, in view of the fact that this plan is designed to have substantially interested as stockholders in the Corporation only men who are actively contributing to the General Motors Corporation's success, it shall be the duty of the Finance Committee, on or before May 15th of each year, to review the list of the stockholders of the Managers Securities Company for the purpose of determining whether the stockholding of any manager is disproportionate to the service being currently rendered by him to the General Motors Corporation and, if so, to this extent to repurchase his Managers Securities Company stock. The discretion of the Finance Committee in all these matters shall be final and conclusive. In order to facilitate the repurchase of said stock the certificates evidencing the stock, duly endorsed in blank, shall at the time of sale and delivery by the seller to the purchaser be placed in escrow with an escrow holder appointed by the Finance Committee of General Motors Corporation, to be held by him under an escrow agreement in the usual form during the existence of said option. In case the option is not exercised on or before the 15th day of May 1930, the right and

obligation to repurchase shall end and the escrow holder shall deliver the stock certificates to the said purchaser or his order on April 15, 1931. At the time the said certificates

are placed in escrow the escrow holder shall issue to the said purchaser a negotiable certificate evidencing the number of shares so deposited. The purchaser shall have the right to vote and to receive all dividends paid on the Managers Securities Company stock.

3. The Managers Securities Company will purchase thirty per cent. of the stock of the General Motors Securities Company (hereinafter described) representing the equivalent of 2,340,000 shares of General Motors Corporation common stock and will also purchase 416,667 shares of General Motors Corporation common stock. These purchases will represent the equivalent of a total of 2,756,667 shares of General Motors Corporation common stock. Payment therefor shall be made $5,000,000 in cash and $36,-350,000 in 7% Collateral Trust Gold Bonds of Managers Securities Company maturing April 15, 1931, which bonds shall be secured by a collateral trust indenture with the Wilmington Trust Company of Wilmington, Delaware, under which all the General Motors Securities Company stock and the General Motors Corporation common stock so purchased and the said contract with the General Motors Corporation shall be pledged to secure the payment of the interest and principal of said bonds.

At present, the common stock holdings of E. I. duPont de Nemours & Company in the General Motors Corporation are in the name of DuPont American Industries, Inc. It is proposed that the name of this Corporation be changed to General Motors Securities Company, that its sole assets consist of 7,800,000 shares of General Motors Corporation common stock with no liabilities and that its capital stock be owned, 70% by E. I. duPont de Nemours & Company and

30% by Managers Securities Company. From the forego ing it will be noted that the duPont Company, owning 70% of the stock of the General Motors Securities Company, will be in control of that Company. It is, therefore, provided that in the event the Directors of the General Motors Securities Company elect for any reason to sell all or any part of its holdings of General Motors Corporation common stock, then and in that event the Managers Securities Company shall, before such sale is made, have the right to purchase 30% of the total assets of the General Motors Securities Company and make full payment therefor by assuming or providing for the payment of 30% of the debts, if any, of the corporation and surrendering to the corporation

—4—

for retirement 30% of its (General Motors Securities Company) capital stock.

4. The Indenture securing the issue of $36,350,000 7% Gold Bonds of the Managers Securities Company shall in addition to the usual provisions contained in such instruments provide as follows:

(a) That the Managers Securities Company shall on or before April 15th in each year, commencing with April 15th, 1924, and ending with April 15th, 1931, pay to the Wilmington Trust Company, Trustee, as a sinking fund to be used first for the payment of interest and then for the retirement of said bonds, an amount of money equal to 5% of the net earnings of the General Motors Corporation for the preceding calendar year after deducting from said net earnings 7% on the capital employed during said year as set forth in paragraph 1(b) herein.

(b) That the Managers Securities Company shall within thirty days after the end of each calendar year, commencing with the year 1923 and ending with the year 1930, pay to the Wilmington Trust Company, Trustee, as a sinking fund to be used first for the payment of interest if not already paid as provided for in (a) above and then for the retirement of said bonds, the balance of this net income for the said calendar year, provided always that in case the Managers Securities Company is not in default on its bonds and has net income in any year beyond that necessary to meet payments provided in (a) herein, it may with respect to said year declare and pay therefrom dividends on its outstanding stock in an amount not exceeding 7% on its paid in capital and earned surplus as shown by its books on April 30th of said year. And provided further, that the Managers Company shall not be required to make payments to the Trustee out of its income as provided in this paragraph until it shall have set aside $2,500,000 as a reserve fund to provide for the payment of interest on its bonds in any year in which its income is not sufficient to meet its interest payment and in the event that any portion of this fund should be used for the payment of interest the Company shall have the right to restore said fund to $2,500,000 out of dividends received by it in subsequent years before making payments to the Trustee hereunder. The Managers Company shall, however, in its discretion have the right to use all or any part of this $2,500,000 fund to retire the principal of its bonds if it so desires.

(c) That all amounts paid into the sinking fund shall be applied semi-annually by the Trustee to the payment of interest and retirement of said bonds in the manner provided for in the trust indenture.

Failure for six months after the same shall become due and payable, to make any payment required to be made to the sinking fund (including the obligation to pay in each year as aforesaid a sum equal to 5% of the net earnings of the General Motors Corporation for the preceding year, after deducting therefrom 7% on the capital employed during said year) shall constitute a default on the part of the Managers Securities Company.

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AGREEMENT, made this day of , 1923, between GENERAL MOTORS CORPORATION, a corporation of Delaware, herein called GENERAL MOTORS, party of the first part, and MANAGERS SECURITIES COMPANY, also a Delaware corporation, hereinafter referred to as the MANAGERS COMPANY, party of the second part,

WITNESSETH:

WHEREAS, the MANAGERS COMPANY has been incorporated to acquire 30% of the common capital stock of General Motors Securities Company, representing a thirty per cent interest in 7,800,000 shares of the common capital stock of GENERAL MOTORS, the balance, or 70% of the common capital stock of the said General Motors Securities Company being owned by E. I. duPont de Nemours & Company; and to acquire in addition thereto 416,667 shares of the common capital stock of GENERAL MOTORS, in furtherance of a plan to insure in the future the continued successful management of GENERAL MOTORS by increasing through a substantial ownership of its common stock the interest and enhancing the loyalty of certain of the managers and executives of GENERAL MOTORS and,

WHEREAS, GENERAL MOTORS has offered to acquire 50,000 shares, being all of the authorized capital stock of the MANAGERS COMPANY and to pay therefore in cash $100.00 a share, and further to pay to said MANAGERS COMPANY a portion of its net earnings upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the covenants herein contained and other valuable considerations, it is hereby agreed by and between the parties hereto as follows:

1. The MANAGERS COMPANY does hereby allot and agree to deliver to GENERAL MOTORS, or upon its order 50,000 shares of its full paid non-assessable capital stock, being the entire authorized issue thereof.

2. GENERAL MOTORS hereby subscribes for the said 50,000 shares of the capital stock of the MANAGERS COMPANY and agrees to pay therefor $5,000,000.00, and in addition thereto to pay to the MANAGERS COMPANY yearly on or before the 15th day of April in each year, commencing April 15th, 1924 and ending April 15, 1931, 5% of the net earnings of

—2—

GENERAL MOTORS for the preceding calendar year before deducting payment herein provided but after deducting all taxes of whatsoever kind or nature and by whatsoever authority imposed and after subtracting from said net earnings an amount equal to 7% of the net capital employed by GENERAL MOTORS. Said net capital shall constitute the sum of the issued and outstanding capital stock of GENERAL MOTORS plus the surplus account, as set forth in the published annual statements of GENERAL MOTORS as of December 31st of the year preceding the year in which said earnings are computed.

3. The amount of said net earnings and net capital employed as shown by the regular published statement of General Motors shall be final and conclusive and the Managers Company waives all right to an accounting in respect thereto or to question the amount or manner of computation thereof provided, however, that if the regular published statement of earnings of General Motors in any year shall reflect any extraordinary charges or credits of substantial

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amount which in the sole judgment of the Board of Directors of General Motors should not in good faith be considered in determining earnings within the intent and meaning of this contract, then and in that event the Directors of General Motors may in their sole discretion modify said regular published statement accordingly and declare that the net earnings of the corporation for the purposes of this contract shall be as set forth in the said modified statement, a copy of which shall be furnished the Managers Company by General Motors.

4. This agreement is personal to and not assignable by the MANAGERS COMPANY, except that it may be assigned and the benefit thereof pledged as collateral security for its 7% Collateral Trust Gold Bonds.

IN WITNESS WHEREOF, the parties hereto have caused these premises to be executed at the City of
State of   the day and year first above written.

GENERAL MOTORS CORPORATION

By:

....

Attest:

....

MANAGERS SECURITIES COMPANY

By:

....

Attest:

....

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AGREEMENT made this day of August, 1923, between GENERAL MOTORS CORPORATION, a corporation of Delaware, herein called GENERAL MOTORS, first party, the undersigned employees of GENERAL MOTORS, sometimes referred to collectively as the MANAGERS, second parties, and of hereinafter called the DEPOSITARY, third party,

WITNESSETH:

WHEREAS, GENERAL MOTORS has caused to be organized under the laws of the State of Delaware, a corporation known as the Managers Securities Company, with a capital stock divided into 50,000 shares of the par value of $100.00 each, and has entered into a contract with the said Managers Securities Company to subscribe for all of said shares at the price of $100.00 a share and to pay to said Securities Company 5% of the net earnings of GENERAL MOTORS, after certain deductions and allowances, for the period of eight years commencing as of January 1st, 1923 and ending December 31st, 1930, upon certain terms and conditions; and

WHEREAS, the Managers Securities Company is to acquire 30% of the common capital stock of General Motors Securities Company, representing a 30% interest in 7,800,000 shares of General Motors common stock and in addition thereto 416,667 shares of General Motors common stock; and

WHEREAS, GENERAL MOTORS has designated the undersigned MANAGERS who are to participate in the benefits of said plan and to acquire shares of the Managers Securities Company in the amounts specified; and

WHEREAS, it is desired to give to GENERAL MOTORS the right at any time on or before April 15th, 1930, to repurchase all or any part of the stock of said Managers Securities Company and to render said right effective by depositing said stock with the DEPOSITARY,

NOW, THEREFORE, in consideration of the premises, the covenants herein contained and other valuable considerations, it is hereby agreed by and between the parties hereto as follows:

1. GENERAL MOTORS hereby allots to each of the MANAGERS the number of shares of Managers Securities Company set opposite his respective name and each of the MANAGERS for himself severally agrees to pay therefor the amount set opposite his name and upon receipt of said stock to deposit the certificates

—2—

representing said shares with as DEPOSITARY, duly endorsed in blank, to be returned to the owner thereof on April 15th, 1931, against receipt by the DEPOSITARY of the certificate of deposit issued therefor as herein prescribed, subject to the right of GENERAL MOTORS to purchase the same prior thereto as herein set forth.

2. The managers and each for himself severally gives and grants irrevocably unto GENERAL MOTORS the right and option to repurchase the whole or any part of the stock allotted to him hereunder, at any time between January 1st and May 15th in any year up to and including May 15th, 1930, at the net asset value thereof as of April 30th in the

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year in which such option is exercised. For the purpose of determining said net asset value the General Motors common stock and the General Motors Securities Company stock owned by the MANAGERS SECURITIES COMPANY shall be appraised on the basis of the net asset value of General Motors Corporation common stock as shown by the published statement of assets and liabilities of General Motors Corporation as of the 31st of December preceding the year in which said option is exercised. Payment shall be made by GENERAL MOTORS in common stock of General Motors Corporation at the same net asset value as used in determining the net asset value of the Managers Securities Company stock. In the event of any dispute as to the said net asset value of shares of the Managers Securities Company the matter shall be referred to Messrs. Haskins & Sells or any other certified public accountants of recognized standing to be selected by GENERAL MOTORS and the decision in regard thereto of the accountants so designated shall be final and conclusive upon all parties. The cost of the said reference shall be borne one-half by General Motors Corporation and the balance by the person demanding the reference. If any such manager dies or ceases to be employed by GENERAL MOTORS or a subsidiary corporation thereof GENERAL MOTORS hereby agrees to exercise said option and to purchase said stock on the terms, conditions and at the price herein set forth.

3. The DEPOSITARY, upon receipt of said shares, shall issue a receipt therefor substantially in the form set forth below:

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No. . . . . Shares

MANAGERS SECURITIES COMPANY

Depositary's Certificate for Stock.

THIS IS TO CERTIFY that, as hereinafter provided, ... will be entitled to receive on April 15th, 1931, a certificate or certificates, expressed to be fully paid, for . . . . shares of the capital stock of Managers Securities Company (hereinafter called the Company), a corporation of Delaware.

This Certificate is issued pursuant to, and the rights of the holder hereof are recited in and subject to the terms and conditions of a certain Deposit Agreement dated between General Motors Corporation, owners of stock of the Company and the undersigned as Depositary, (a copy whereof is set forth below).

(TAKE IN AGREEMENT)

This Certificate is transferable at the office in Wilmington, Delaware of General Motors Corporation by the registered holder, either in person or by attorney duly authorized, in accordance with rules established for that purpose by the Depositary and on surrender hereof; and until so transferred the Depositary may treat the registered holder as owner hereof for all purposes whatsoever.

IN WITNESS WHEREOF, the Depositary has caused this Certificate to be signed this day of 1923.

. . . .

Depositary.

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Endorsement.

For Value Received .... hereby sell, assign and transfer unto .... the within Certificate and all rights and interests represented thereby, and do hereby irrevocably constitute and appoint .... Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Dated, ..., 19...

In presence of: ....

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4. Upon receipt of said purchase price for the account of the owner of record of the shares purchased by GENERAL MOTORS, the DEPOSITARY shall upon demand pay the same to the owner of record of said shares upon surrender of the certificate of deposit representing the same and shall deliver the stock certificates representing said shares of Managers Securities Company subject to the order of GENERAL MOTORS, which shall have the right to retransfer them from time to time to its nominees and to cause them, or any part thereof to be redeposited hereunder with the same force and effect as if by an original party hereto.

5. Each of the MANAGERS shall be entitled to vote the stock of the Managers Securities Company acquired by each hereunder and to receive the dividends or benefits payable thereon or in respect thereto.

6. The DEPOSITARY hereunder may resign or may be removed and his successor shall be designated by GENERAL

Motors. Such successor shall succeed to all the rights and title of his predecessor as such Depositary.

7. This agreement shall be binding upon and inure to the benefit of the parties hereto, their successors, personal representatives and assigns.

8. This agreement may be executed on counterparts with the same force and effect as if on one original and additional Managers to be designated by General Motors may from time to time become parties hereto by executing a copy hereof.

In Witness Whereof, the parties hereto have caused these presents to be executed at the City of State of , the day and year first above written.

General Motors Corporation

By

....

Attest:

....

Resolution for du Pont Company

Whereas, it is the judgment of this committee that the adoption of plan outlined in report # from V. P. J. J. Raskob is for the best interests of this company,

Now therefore be it resolved, that this committee recommend the adoption of this plan to the Board of Directors of the DuPont American Industries, Inc. and that said company authorize and perform all acts and things necessary to carry out said plan including the following:

(a) Changing its name to General Motors Securities Company

(b) Acquiring and cancelling its $20,000,000 outstanding preferred stock

(c) Increasing its authorized common stock to 452,670 shares

(d) Redeeming and cancelling its $25,000,000 6% Gold Bonds

(e) Purchasing additional General Motors common stock to make its total holdings equal 7,800,000 shares

(f) Paying all its debts so that its balance sheet will show sole assets of 7,800,000 shares General Motors common stock with no liabilities

(g) Selling to Managers Securities Company an amount of its stock equal to 30% of its total stock then outstanding for $35,100,000 payable $4,250,000 cash and $30,850,000 in 7% Collateral Trust Gold Bonds of Managers Securities Company.

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RESOLUTION FOR GENERAL MOTORS CORPORATION

WHEREAS, it is the judgment of this committee that the adoption of the plan outlined in report # from V. P. J. J. Raskob is for the best interests of this corporation,

NOW THEREFORE BE IT RESOLVED, that the proper officers of this company are authorized to do all acts and things necessary, proper and appropriate to put this plan into effe

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NOTE: "Finance Committee Secy's No. 9754" is stamp and "Sectys Office 11" is written at the top of the first pag. "Sectys Office 12" is written at the top of the first page of the annexed memorandum. "GMC 1598" is written the bottom of the first page, and "GMC 1598A" is writt at the bottom of the remaining pages.

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Minutes of Meeting of Board of Directors, August 9, 1923.

GENERAL MOTORS CORPORATION

A regular meeting of the Board of Directors of General Motors Corporation was held, pursuant to due notice thereof, at No. 224 West 57th Street, New York City, on Thursday, August 9, 1923, at 3:00 o'clock in the afternoon.

The following directors were present:

Harry H. Bassett
Donaldson Brown
William L. Day
Irenee duPont
Pierre S. duPont
George H. Hannum
Alex B. C. Hardy
Charles F. Kettering
R. Samuel McLaughlin
William McMaster
Charles S. Mott
John L. Pratt
John J. Raskob
Herbert H. Rice
Alfred P. Sloan, Jr.
John T. Smith

The Chairman of the Board of Directors, Mr. Pierre S. duPont, called the meeting to order and presided.

The Secretary recorded.

* * *

A report was received from the Finance Committee dated August 7, 1923 of which the following is a copy:

"New York, N. Y.
August 7, 1923.

To: Board of Directors,
General Motors Corporation

From: Finance Committee

At meeting held today the Finance Committee adopted the following resolution:

Resolved, that report from the Chairman dated July 26, 1923, with regard to the proposed Managers Securities Com-

pany be approved in principle and referred to the Board of Directors for discussion and comment with request that authority be givin the Finance Committee to work the plan out in detail after the Board indicates its approval thereof; it being understood that the plan as finally drawn will be submitted to the stockholders for ratification and with the further understanding that the entire scheme is subject to the duPont Company being willing to enter into an arrangement such as outlined in the above mentioned report. (Copy attached hereto.)

(s) C. D. HARTMAN, JR.
Secretary, Finance Committee."

Mr. Irenee duPont moved that consideration of the matter be postponed until the duPont Company has had time to consider it, and if so disposed to submit an offer for the sale of the stock involved in the plan. The motion was seconded by Mr. McMaster. After a full discussion Mr. Raskob offered the following resolution as a substitute for the pending motion:

> Resolved, that the Board of Directors approves in principle the plan with regard to the proposed Managers Securities Company recommended by the Finance Committee in its report of August 7, 1923, and refers said plan back to the Finance Committee to be worked out in detail and submitted to the stockholders for ratification, provided the duPont Company is willing to enter into the arrangement outlined in said plan.

The motion was seconded and the resolution duly adopted.

On motion duly made and unanimously carried, it was

> Resolved, that a committee of three directors be appointed, consisting of Pierre S. duPont, Seward Prosser and Arthur G. Bishop, none of whom shall be eligible to participate in the said Plan, with power to designate the employes of General Motors Corporation and its subsidiaries to be invited to acquire shares of said stock of the Managers Securities Company, to fix the amounts thereof, and to arrange the terms of payment therefor, and their judgment, or the judgment of a majority thereof, in all respects shall be final and conclusive.

* * *

Government's Exhibit No. 242

COPY TO MR. WALTER CARPENTER, Jr.

August 14, 1923.

Mr. P. S. du Pont,
Building.

Dear Pierre:—

Thinking over the Finance Committee discussion of Friday, I have the impression that you have wrongly gotten the feeling that Walter and I are not in sympathy with obtaining owner management in the General Motors Corporation. In talking to Walter today he had somewhat the same impression. I know it is not true in either case. I am more than in accord with that principle, in fact, believe it is almost invaluable, so much so that I think the advantages outweigh the disadvantages of the rather unusual and intricate route of interesting them through a Managers' Company.

I am very much opposed to the du Pont Co. selling along the lines of the report which was submitted to us. I think it would be an improvident sale and brings a needless jeopardy to the du Pont Company's financial status and a needlessly heavy burden on the du Pont stockholders. It also has the disadvantage of putting us as controlling interests in both corporations in the position of being both, as it were, buyers and sellers.

These difficulties can be avoided by the simple expedient of the General Motors Co. sending a circular letter to their stockholders, explaining the reasons for the Directors de-

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siring to interest the active management as owners in the company and call upon the stockholders to submit to an uninterested third party, such as the Bankers Trust Co., secret tenders of the number

of shares and price per share at which they would sell all or any part of their stock to the General Motors Corporation for that purpose, with the understanding that if the plan were promulgated, it would be through the purchase of those shares offered at the lowest figure to an extent which would make a total investment of not over say $40,000,000. That for the purchase of this stock the General Motors would loan to the Managers' Company, or to the employes direct, as would be outlined in the plan, 7/8 of the purchase price, the Managers putting up the balance.

I would be in favor of du Pont making a tender under such an arrangement and if we happen to offer the stock at a price which would be accepted, it would put us in a position of retiring our bonds, possibly in whole, this year. This would enormously increase the strength of our balance sheet and would be such a "sweetener" to those who advanced the money for our bond issue that we could expect little difficulty in borrowing again should we so desire in the future, even to the extent of possibly borrowing $50,000,000 or $100,000,000 should an extraordinary opportunity requiring such a sum come to our attention. It would have the distinct advantage of the General Motors Directors passing on not only the value of the advantage of owner management as compared with the cost of obtaining it but would pro-rate that cost as measured by the burden of loaning the funds required on the remaining

General Motors stockholders who are the beneficiaries of the plan.

Would like to have an opportunity of talking to you about this before our Directors' Meeting, so as to head off, if possible, discussion of Don's plan by the Board.

Sincerely,

Irénée du Pont

NOTE: At the top of the first page, a check mark appears next to Mr. Carpenter's name. Lines are drawn through "Mr. P. S. du Pont, Building" and "TD-150" is written by hand at the top of the first page. "gmc-806" is written at the bottom of each page. Italics indicate handwriting.

Government's Exhibit No. 243

Sectys. Office 7

MINUTES OF SPECIAL MEETING OF THE BOARD OF DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY, HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON THURSDAY, AUGUST 30, 1923, AT ELEVEN-FIFTEEN O'CLOCK A. M.

Present: P. S. duPont, in the Chair,
H. F. Brown,
R. R. M. Carpenter,
W. S. Carpenter, Jr.,
Chas. Copeland,
H. F. duPont,
Irenee duPont,
Lammot duPont,
J. B. D. Edge,
H. G. Haskell,
F. W. Pickard,
H. M. Pierce,
M. R. Poucher,
Chas. L. Reese,
F. G. Tallman. *15*

Absent: Donaldson Brown,
J. Thompson Brown,
Wm. Coyne,
A. Felix duPont,
Eugene duPont,
Eugene E. duPont,
J. A. Haskell,
J. P. Laffey,
C. L. Patterson,
J. J. Raskob,
Alfred P. Sloan, Jr.,
W. C. Spruance.

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PLAN FOR INTERESTING MANAGERS OF GENERAL MOTORS CORPORATION AS PARTNERS IN ITS BUSINESS BY AND THROUGH OWNERSHIP OF COMMON STOCK OF THAT COMPANY:

The Chairman stated that the meeting had been called for the purpose of considering a communication from the Finance Committee relative to the sale of an interest in part of our General Motors Corporation common stock holdings, and presented a letter from that Committee, dated August 30, 1923, advising of action which had been taken on reports from Vice-President J. J. Raskob, dated July 26, 1923 (#9754) and from the President, dated August 28, 1923 (#9881), giving details of the plan above mentioned, copies of which reports were attached. The action of the Finance Committee was read to the Board and the plan which had been approved by that Committee was outlined by the Chairman. Whereupon, after discussion, the following resolution was offered and unanimously adopted:—

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WHEREAS, there has been presented to this Board a plan designed to interest the managers of the General Motors Corporation as partners in its business by and through the ownership of common stock of that Company; and

WHEREAS, it is the judgment of this Board that the adoption of plan outlined in report from Vice-President J. J. Raskob to the Finance Committee, dated July 26, 1923 (#9754) and modified by report of the President, under date of August 28, 1923 (#9881), is for the best interests of this Company;

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Now Therefore be it Resolved, that this Board recommend the adoption of this modified plan to the Board of Directors of the duPont American Industries, Inc. and that said company authorize and perform all acts and things necessary to carry out said modified plan including the following:

(a) Changing its name to General Motors Securities Company;

(b) Acquiring and cancelling its $20,000,000 outstanding preferred stock;

(c) Increasing its authorized common stock to shares:

This figure to be supplied by Mr. W. S. Carpenter

(d) Redeeming and cancelling its $25,000,000 6% Gold Bonds;

(e) Purchasing additional General Motors Corporation common stock to make its total holdings equal 7,000,000 shares;

(f) Paying all its debts so that its balance sheet will show sole assets of 7,000,000 shares General Motors common stock with no liabilities;

(g) Selling to Managers Securities Company an amount of its stock equal to two-sevenths of its total stock then outstanding for $30,000,000 payable $15,000,000 cash and $15,000,000 in 7% Cumulative Convertible Preferred stock of Managers Securities Company.

Resolved Further, that the Finance Committee of this Company be and it is hereby authorized to take such action as is necessary on its part to carry out this plan.

provided that all other General Motors Corporation common stockholders are given their pro rata right to sell stock at $15.00 per share on the same terms of payment.

Upon motion, the Finance Committee's letter of August 30, 1923, was then accepted and ordered filed.

Upon motion, the meeting was adjourned.

C. Copeland
Secretary

NOTE: Italics indicate handwriting; "GMC 1600" appears at bottom of each page.

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Government's Exhibit No. 244

October 15, 1923.

To FINANCE COMMITTEE

FROM BOARD OF DIRECTORS.

PLAN FOR INTERESTING MANAGERS OF GENERAL MOTORS CORPORATION AS PARTNERS IN ITS BUSINESS BY AND THROUGH OWNERSHIP OF COMMON STOCK OF THAT COMPANY:

At meeting of the Board of Directors held today, the following resolution was unanimously adopted in connection with the above subject:

RESOLVED, that this Board approve amending the charter of DUPONT AMERICAN INDUSTRIES, INC. to provide for changing its name to GENERAL MOTORS SECURITIES COMPANY, which Company shall be brought to the position of owning 7,500,000 shares of General Motors Corporation Common Stock as its sole assets, with no liabilities, and the sale of 30% of the stock of General Motors Securities Company, representing the equivalent of 2,250,000 shares of General Motors Corporation Common Stock, to the Managers Securities Company for $33,750,000.00, payable $5,000,000.00 in cash and $28,750,000.00 either in 7% bonds due on April 15, 1931, or in other form of security satisfactory to the Finance Committee of this Company;

RESOLVED FURTHER, that this sale be made effective as of October 15, 1923;

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RESOLVED FURTHER, that previous action taken by this Board under date of August 30, 1923 on this subject be and the same is hereby rescinded.

23. *M D Fisher*
Assistant Secretary.

NOTE: "Return to Executive Committee Room 9069" and "Return to Room 9059" are stamped at the bottom on the first page. "Finance Committee Secy's No. 10069" and "Received Oct. 11, 1923 M.D.F." (with "28F" inserted by hand between the date and the initials) are stamped, and "MDF" is written, at the top of the first page of the annexed report from Mr. Raskob. "Return to Executive Committee Room 9069" is stamped at the bottom of each page of Mr. Raskob's report and at the bottom of the first, third and fourth pages of the memorandum annexed to Mr. Raskob's report. "GMC-882" is written at the bottom of the first page, "GMC-882a" at the bottom of each page of Mr. Raskob's report, and "GMC-882b" at the bottom of each page of the attached memorandum. Italics indicate handwriting.

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October 10, 1923.

To: FINANCE COMMITTEE
(E. I. duPont de Nemours & Company)

FROM: J. J. RASKOB

SUBJECT: MANAGERS SECURITIES COMPANY

On July 26th, 1923, I presented a report to the Finance Committee dealing with a plan to form a managers company, designed to interest the managers of General Motors Corporation as partners in its business by and through the ownership of common stock of that Company, which plan involved the sale of the equivalent of 2,340,000 shares of General Motors common stock at $15. per share by the duPont Company under the terms of payment recited therein, and which plan as presented was not satisfactory to the duPont Company.

Since that time there has been almost constant discussion between the officers of the duPont and General Motors Companies, which discussions have finally resulted in a revised plan (transmitted herewith) which in principle differs from the original plan in the following particulars:

First. The amount of stock sold shall be 30% of the capital stock of General Motors Securities Company (DuPont American Industries, Inc.), which Company shall own 7,500,000 shares of General Motors Corporation common stock and be free from debt. This 30% interest represents 2,250,000 shares instead of 2,340,000 shares of General Motors Corporation common stock provided in the original plan.

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Second. The contract between the General Motors Corporation and the Managers Securities Company is amended to provide that the General Motors Corporation shall pay to the Managers Securities Company on or before January 1st of each year, beginning January 1st, 1924, and ending January 31st, 1931, the sum of $2,000,000. on account of said contract and if at any time the cumulative amount due the Managers Securities Company under said contract from its beginning is less than the rate of $2,000,000. per annum from and including the year 1923, then and in that event the difference shall, nevertheless, be paid by the General Motors Corporation to the Managers Company and treated as a loan, which loan, with interest at the rate of 6% per annum, shall be repaid by the

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Managers Company to the General Motors Corporation when the amount due under the contract shall equal the accumulation of these $2,000,000. annual payments; otherwise the amount shall not be due until the maturity or payment of the bonds of the Managers Company.

Third. The modification recited in the preceding paragraph, providing a minimum annual payment to the Trustee, makes it possible to declare bonds in default for non-payment of interest, which will be done.

The above are the only changes affecting the duPont Company. Other changes have been made in the plan, principally providing for two classes of stock for the Managers Securities Company which facilitates greatly the ability of the General Motors Corporation to buy out employes either in whole or in part.

This amended plan has been adopted by the General Motors Corporation, subject only to the Executive Commit-

tee determining whether the men in managerial positions in General Motors Corporation desire to avail themselves of the advantages thereof. The plan is now submitted to your Committee for approval and, if approved, a special meeting of the stockholders of the General Motors Corporation will be called to ratify the plan, and my suggestion is that the sale be made effective as of October 15, 1923.

It will be noted that while the plan provides for the deferred payments to be made in 7% bonds, the General Motors Corporation in approving the plan agreed that the Managers Securities Company could issue any form of senior security other than the 7% bonds contemplated so long as the provisions surrounding the creation and issue of such securities are in line with the provisions of the plan. In view of this I think the Finance Committee should authorize the sale, empowering the officers to work out the details including the form of security to be accepted, if securities other than the 7% bonds are desired.

J. J. Raskob

Plan of Managers Securities Company

1. The General Motors Corporation will cause a corporation (Managers Securities Company or other appropriate name) to be organized under the laws of Delaware with an authorized capital of $5 000,000., divided into

$4,000,000. of Class A stock, and
$1,000,000. of Class B stock.

In liquidation the Class A stock shall be preferred as to the par value thereof plus the total net amount after taxes accruing to the credit of the Company by reason of a certain contract between the Company and the General Motors Corporation, dated ; and there shall be credited to a Class A surplus account for the benefit of the Class A stock on the books of the Corporation, when and as received, the net amount earned under the aforesaid contract after providing for taxes. This Class A surplus may be used for the payment of special dividends on Class A stock or for the purpose of retiring such Class A stock pro rata either in whole or in part at any time at a price equal to the par value thereof plus its pro rata share of this Class A surplus account. All other net income of the Corporation shall be credited to a general surplus account.

Class B stock in liquidation shall receive all of the balance of the property.

All dividends paid, except special dividends on the Class A stock as herein provided, shall be paid from general surplus, and the amount of dividends paid from general surplus to the Class A and Class B stocks, respectively, shall be in the proportion that the Class A capital and surplus and the

Class B capital and general surplus, respectively, bear to each other.

Upon the organization of the Managers Securities Company it will enter into a written contract with the General Motors Corporation (hereinbefore referred to) wherein it will be covenanted and agreed

(a) Upon the part of the Managers Securities Company that it will sell and deliver to General Motors Corporation its entire authorized issue of capital stock for $5,000,000. cash.

(b) Upon the part of General Motors Corporation that in consideration of the premises the General Motors Corporation shall, on or before April 1st

—2—

in each year, commencing with April 1st, 1924, and ending April 1st, 1931, pay to the Managers Securities Company 5% of the net earnings of the General Motors Corporation for the preceding calendar year after deducting from said net earnings 7% on the capital employed during said year. This contract will further provide that on or before January 1st of each year beginning on or before January 1st, 1924, and including January 1st, 1931, the General Motors Corporation will pay $2,000,000. in cash to Managers Securities Company on account of amount due under this contract and the balance due shall be paid on or before April 1st following as aforesaid. Furthermore, in the event that the cumulative amounts due under this contract at any time equal an amount less than the cumulative payments of $2,000,000. per annum above mentioned, then and in that event the General Motors Corporation will continue to make

the $2,000,000. annual payments as herein provided and the difference between the cumulative amounts of such payments and the cumulative amounts due hereunder shall be treated as an unsecured loan by General Motors Corporation to the Managers Securities Company, bearing 6% interest, which loan shall be repaid when the amounts due under said contract equal the total amounts paid by General Motors Corporation, plus interest as aforesaid; and this loan shall not become due otherwise until after the payment of the bonds of the Managers Securities Company hereinafter mentioned.

2.. The General Motors Corporation will thereupon sell to such managers (including directors who are occupying managerial positions) of the General Motors Corporation and subsidiary companies, as the Finance Committee of the General Motors Corporation, or a sub-committee thereof, shall from time to time determine, such amounts of the capital stock of the Managers Securities Company as said committee shall determine and in such amounts to individual managers as said committee shall fix, at not less than cost upon such terms as to time of payment as may be agreed upon between the purchaser and said committee or sub-committee. All sales of stock of the Managers Securities Company to managers as aforesaid shall be covered by a written contract between the seller and the purchaser wherein it shall be provided that in consideration of the sale upon the terms provided in said contract and the purposes for which said sale is made to the purchaser and of all the premises, the purchasers shall give and grant to General Motors Corporation an irrevocable option to repurchase all or any part of the shares of either or both classes of stock so sold at any time between January 1st

and May 15th in any year up to and including May 15th, 1930, as follows:

Class A stock purchased under this option on account of the death of an employe or from an employe leaving the Company through no fault of his own shall be purchased at a price equivalent to the par value of said stock plus its portion of the Class A surplus account as shown on the books as of April 30th in the year in which said purchase is made; in all other cases the price paid shall be the par value of the stock plus 80% of its portion of the Class A surplus as aforesaid. In all events the purchase price of Class A stock shall be payable, at the option of General Motors Corporation, either in cash or in common stock of General Motors Corporation on the basis of its net asset value as shown by the published statement of assets and liabilities as of December 31st of the year preceding the date of said purchase.

Class B stock shall be purchased at the net asset value thereof as of April 30th in the year in which said option is exercised. For the purpose of determining said net asset value of Class B stock the General Motors Securities Company stock or General Motors Corporation common stock owned by the Managers Securities Company shall be appraised on the basis of the net asset value of General Motors Corporation common stock as shown by the published statement of assets and liabilities of General Motors Corporation as of Decmeber 31st of the year preceding the year in which said option is exercised. Payment for purchases so made under option herein granted shall be made by the General Motors Corporation in common stock of the General Motors Corporation at the same net asset value

is used in determining the net asset value of the Managers Securities Company stock as hereinabove set forth. If any purchaser dies or ceases to be employed by the General Motors Corporation or a subsidiary corporation thereof during the life of said option the General Motors Corporation shall exercise said option at least with respect to the Class A stock and purchase his Class A stock on the terms and at the price aforesaid. Further, in view of the fact that this plan is designed to have substantially interested as stockholders in the Corporation only men who are actively contributing to the General Motors Corporation's success, it shall be the duty of the Finance Committee, on or

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before May 15th of each year to review the list of the stockholders of the Managers Securities Company for the purpose of determining whether the stockholding of any manager is disproportionate to the service being currently rendered by him to the General Motors Corporation and, if so, to this extent to repurchase either or both classes of his Managers Securities Company stock. The discretion of the Finance Committee in all these matters shall be final and conclusive. In order to facilitate the repurchase of said stock the certificates evidencing the stock, duly endorsed in blank, shall at the time of sale and delivery by the Seller to the purchaser be placed in escrow with an escrow holder appointed by the Finance Committee of General Motors Corporation, to be held by him under an escrow agreement in the usual form during the existence of said option. In case the option is not exercised on or before the 15th day of May, 1930, the right and obligation to repurchase shall end and the escrow holder shall deliver the stock certificates to the said purchaser or his order on April 15, 1931. At

the time the said certificates are placed in escrow the escrow holder shall issue to the said purchaser negotiable certificates evidencing the number of shares so deposited. The purchaser shall have the right to vote and to receive all dividends paid on the Managers Securities Company stock.

3. The Managers Securities Company will purchase stock of the General Motors Securities Company (hereinafter described) representing the equivalent of 2,250,000 shares of General Motors Corporation common stock at $15. per share, aggregating a total of $33,750,00. Payment therefor shall be made $5,000,000. in cash and $28,750,000. in 7% Collateral Trust Gold Bonds of Managers Securities Company maturing April 15, 1931, which bonds shall be secured by a collateral trust indenture with the Wilmington Trust Company of Wilmington, Delaware, under which all the General Motors Securities Company stock so purchased and the said contract with the General Motors Corporation shall be pledged to secure the payment of the interest and principal of said bonds.

At present the common stock holdings of E.I. duPont deNemours & Company in the General Motors Corporation are in the name of DuPont American Industries, Inc. It is proposed that the name of this Corporation be changed to General Motors Securities Company, that its sole assets consist of 7,500,000

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shares of General Motors Corporation common stock with no liabilities and that its capital stock be owned by E. I. duPont deNemours & Company and Managers Securities Company. The duPont Company will be in control of the General Motors Securities Company, owning 70% of its

stock outstanding. It is, therefore, provided that in the event the Directors of the General Motors Securities Company elect for any reason to sell all or any part of its holdings of General Motors Corporation common stock, then and in that event the Managers Securities Company shall, before such sale is made, have the right to purchase its pro rata share of the total assets of the General Motors Securities Company and make full payment therefor by assuming or providing for the payment of its pro rata share of the debts, if any, of the corporation and surrendering to the corporation for retirement all of its stockholdings in the General Motors Securities Company.

4. The indenture securing the issue of $28,750,000. 7% gold bonds of the Managers Securities Company shall in addition to the usual provisions contained in such instruments provide as follows:

(a) That the Managers Securities Company shall pay to the Wilmington Trust Company, Trustee, on or before April 15th in each year, as a sinking fund to be used first for the payment of interest and then for the retirement of said bonds, its entire net income for the preceding twelve months ending April 1st including an amount equal to the amount, less taxes, provided to be paid to it under its contract with the General Motors Corporation. The Managers Securities Company, however, may withhold from amounts which would otherwise be paid each year to the Trustee under this paragraph an amount of money not to exceed 7% of its total paid in capital and earned surplus as of April 15th of said year, provided always that the total cumulative payments to the Trustee shall never equal an amount less than $2,000,000. per annum accumulated from the beginning to date of such withholding.

(b) That all amounts paid into the sinking fund shall be applied by the Trustee to the payment of interest and retirement of said bonds in the manner provided for in the trust indenture.

(c) Failure for six months after the same shall become due and payable to make any payment required to be made to the sinking fund (including the

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obligation to pay in each year as aforesaid the amounts provided in said contract between General Motors Corporation and the Managers Securities Company) shall constitute a default on the part of the Managers Securities Company.

5. Should the seller prefer taking a form of senior security other than the 7% bonds herein contemplated, it is understood that such securities may be issued in whole or in part so long as the provisions surrounding the creation and issuance of same are in line with the provisions of this plan.

GENERAL MOTORS CORPORATION

OFFICE OF THE
FINANCE COMMITTEE

October 19, 1923

Walter S. Carpenter, Esq.,
E. I. duPont de Nemours & Company,
Wilmington, Delaware.

Dear Walter:

I am enclosing for your perusal corrected draft of plan of Managers Securities Company. Please note the changes on page 2, which are in line with discussions at the duPont Finance Committee meeting, and also particularly note the re-writing of paragraph 3 on pages 4 and 5, which is changed to eliminate the bonds and incorporate the Trustee feature advocated by you.

I think that from the standpoint of both the General Motors and duPont Companies it is particularly desirable to eliminate the duPont Company's name from the plan, and my present notion is to forward this plan to the stockholders for ratification with a letter which will explain that the duPont Company has agreed to supply the equivalent of its pro rata share of stock and in addition will agree to supply any deficit to make up the equivalent of 2,250,000 shares. This letter is not yet written and, hence, I cannot enclose it.

Sincerely yours,

J. J. Raskob

NOTE: "TD-188." is written at the top of the page and "GMC 1606" is written at the bottom. Italics indicate handwriting.

Government's Exhibit No. 247

I.—DATA IN THIS REPORT IS INTENDED ONLY FOR THE PARTY TO WHOM ADDRESSED.
THE REPORT SHOULD BE TURNED OVER TO THE SECRETARY IMMEDIATELY AFTER THE MEETING AT WHICH IT IS CONSIDERED.

October 27th, 1923.

To: BOARD OF DIRECTORS (E. I. duPont de Nemours & Company)

From: J. J. Raskob, Vice-President

SUBJECT: PLAN OF MANAGERS SECURITIES COMPANY

For your information there is enclosed herewith plan of Managers Securities Company, adopted by the General Motors Corporation, together with copy of letter to the stockholders of General Motors Corporation issued in connection with a special meeting of the stockholders called to ratify this plan.

In accordance with authority conferred by your Board, the Finance Committee of your company has authorized the following program:

(a) The DuPont American Industries, Inc., shall amend its charter, changing ~~its~~ name to General Motors Securities Company, and increasing its authorized capital stock;

(b) That an amount of such increase of stock of the General Motors Securities Company (equal to 30%

of the total stock outstanding) shall be sold to the Managers Securities Company for $33,750,000., payable $4,950,000. in cash and $28,800,000. in 7% cumulative preferred stock, convertible into 7% bonds of the Managers Securities Company, maturing April 15, 1931, as more fully described in the plan. The price to be paid, $33,750,000., is equivalent to $15. per share of General Motors Corporation common stock.

With the completion of the above steps, the position will be that the General Motors Securities Company will have 7,500,000 shares of General Motors Corporation common stock, with no liabilities other than its own capital stock which will be owned 70% by E. I. duPont de Nemours & Company and 30% by the Managers Securities Company.

[STAMP] J. J. RASKOB

NOTE: "TD-188." is written at the top of the page and "GMC 1609" is written at the bottom. "W. S. C. Jr." is written at the upper left corner.

2

MINUTES OF SPECIAL MEETING OF THE BOARD OF DIRECTORS OF DU PONT AMERICAN INDUSTRIES, INC., HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON MONDAY, NOVEMBER 5, 1923, AT ELEVEN FORTY-FIVE O'CLOCK A. M., PURSUANT TO WAIVER OF NOTICE SIGNED BY ALL OF THE DIRECTORS.

President: P. S. duPont, in the Chair,
Donaldson Brown,
W. S. Carpenter, Jr.,
H. F. duPont,
Lammot duPont,
H. G. Haskell,
J. J. Raskob.

Absent: Irenee duPont.

Reading of Minutes of previous meeting held on August 20, 1923, was waived.

PLAN OF MANAGERS SECURITIES COMPANY:

There was presented to the meeting copy of letter from Vice President J. J. Raskob to the Finance Committee of E. I. duPont de Nemours & Company, dated October 27, 1923 (#10134) enclosing copy of above mentioned Plan as finally submitted to the common stockholders of General Motors Corporation for approval with the President's letter of October 27, 1923; also copy of action taken by the Finance Committee of E. I. duPont deNemours &

Company at meeting held on October 15, 1923 in connection with this subject. After discussion, the following resolution was offered and unanimously adopted:—

RESOLVED, that the Plan for the organization of the Managers Securities Company, now submitted for approval to the common stockholders of General Motors Corporation, be and the same is hereby approved and adopted, and the proper Officers of this Company are hereby authorized and directed to take all proper and necessary action to carry out said Plan and to make the same effective, provided it is approved by the stockholders of General Motors Corporation.

Upon motion, the meeting was adjourned.

OK form J. P. L. (Signed) M. D. Fisher
Asst. Secretary.

NOTE: "GMC 1610" is written at the bottom of the page.

2

Minutes of Meeting of Board of Directors, November 8, 1923.

GENERAL MOTORS CORPORATION

A regular meeting of the Board of Directors of General Motors Corporation was held, pursuant to due notice thereof, at No. 224 West 57th Street, New York City, on Thursday, November 8, 1923, at 3:00 o'clock in the afternoon.

The following directors were present:

George F. Baker, Jr.
Arthur G. Bishop
Donaldson Brown
William L. Day
Irenee duPont
Lammot duPont
P. S. duPont
Fred J. Fisher
George H. Hannum
A. B. C. Hardy
Charles F. Kettering
Charles S. Mott
DeWitt Page
John L. Pratt
Seward Prosser
John J. Raskob
Herbert H. Rice
Alfred P. Sloan, Jr.
John T. Smith
Alfred H. Swayne
William H. Woodin
Clarence M. Woolley

The Chairman of the Board of Directors, Mr. Pierre S. duPont, called the meeting to order and presided.

The Secretary recorded.

* * *

Report dated October 27, 1923 was received from J. J. Raskob, Vice President regarding "Plan of Managers Securities Company."

Minutes of Meeting of Board of Directors, November 8, 1923.

Thereupon, on motion duly made and unanimously carried, the following preambles and resolutions were adopted.

> WHEREAS, pursuant to a resolution of this board adopted August 9, 1923, negotiations have been conducted with reference to a proposed plan to cause to be organized a company to be known as Managers Securities Company and there has been formulated the annexed proposed plan and a special meeting of stockholders has been called to be held on November 20th, 1923, to take action thereon.
>
> RESOLVED, that said plan be and it hereby is approved and subject to the ratification thereof by said stockholders, the proper officers of the Corporation are hereby authorized and empowered to do any and all things necessary or proper to put into effect the said plan or any modification thereof approved by said stockholders;
>
> RESOLVED, that subject to said approval of the stockholders, a committee of three directors be appointed, consisting of Pierre S. duPont, Seward Prosser and Arthur G. Bishop, none of whom shall be eligible to participate in the said plan, with power to designate the employes of General Motors Corporation and its subsidiaries to be invited to acquire shares of said stock of the Managers Securities Company, to fix the amounts thereof, and to arrange the terms of payment therefor, and their judgment, or the judgment of a majority thereof, in all respects shall be final and conclusive.

A copy of the "Plan of Managers Securities Company" referred to in the foregoing preambles and resolutions is appended to these minutes at the end thereof.

(The "Plan of Managers Securities Company" submitted to and approved by the stockholders on November 20, 1923 is set out in full on page 392.)

Government's Exhibit No. 252

MINUTES OF REGULAR QUARTERLY MEETING OF THE BOARD OF DIRECTORS OF GENERAL MOTORS SECURITIES COMPANY, HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON FRIDAY, MAY 16, 1924, AT TWELVE O'CLOCK NOON.

PRESENT: P. S. duPont, in the Chair,
W. S. Carpenter, Jr.,
H. F. duPont,
Lammot duPont,
J. J. Raskob.

ABSENT: Donaldson Brown,
Irenee duPont,
H. G. Haskell.

The Chairman stated that the first business before the meeting was the election of officers for the ensuing year.

Mr. P. S. duPont was nominated for President, and on motion duly made and seconded was elected to serve for the ensuing year and until succeeded.

Messrs. Irenee duPont, Lammot duPont, and J. J. Raskob were nominated for Vice-Presidents, and on motion duly made and seconded were elected to serve for the ensuing year and until succeeded.

Mr. W. S. Carpenter, Jr., was nominated for Treasurer of the Company and on motion duly made and seconded was elected to serve for the ensuing year and until succeeded.

Mr. Charles Copeland was nominated for Secretary of the Company and on motion duly made and seconded was elected to serve for the ensuing year and until succeeded.

The following resolutions were offered and unanimously adopted:—

RESOLVED, that M. D. Fisher be and he hereby is appointed Assistant Secretary of this Company with all of the powers and authority conferred upon the Secretary of the Company in the absence of the Secretary or of his inability to act.

FURTHER RESOLVED, that W. F. Raskob be and he hereby is appointed Assistant Treasurer of this Company with all of the powers and authority conferred upon the Treasurer of the Company in the absence of the Treasurer or of his inability to act.

COMMON STOCK DIVIDEND:

Upon recommendation of the Treasurer, as per letter of May 13, 1924 (#10), the following resolution was offered and unanimously adopted:—

RESOLVED, that a dividend of $4.55 per share, payable in cash, be paid on the Common Stock of this Company on June 14, 1924, to stockholders of record at the close of business on June 4, 1924.

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GENERAL MOTORS CORPORATION—
REARRANGEMENT OF CAPITAL ACCOUNT:

Upon recommendation of the Treasurer, as per letter of May 15, 1924 (#11), the following resolutions were offered and unanimously adopted:—

RESOLVED, that the President, or any Vice-President, and Secretary be and they are hereby authorized to execute proxy appointing P. S. duPont, A. P. Sloan,

Jr., J. J. Raskob and T. S. Merrill, or any of them, as agents or attorneys to vote any and all shares of stock of General Motors Corporation owned by this Company, at Special Meeting of the Stockholders of said corporation to be held on June 16, 1924.

RESOLVED, that the Treasurer be and he hereby is authorized to exchange the present common shares of General Motors Corporation owned by this Company for a new issue of no par value common stock on the basis of one share of new for four shares of present common stock.

Upon motion, the meeting was adjourned.

M D Fisher
Assistant Secretary.

NOTE: "O.K. form J.P.L." is written in the left margin at the end. "gmc-468" is written at the bottom of each page.

Government's Exhibit No. 253

3572.

Minutes of the Annual Meeting of the Stockholders of the General Motors Securities Company Held at the Office of the Company, Wilmington, Delaware, on Wednesday, March 17th. 1926 at Eleven O'clock A.M.

The meeting was organized with Mr. Lammot duPont as Chairman and Mr. Charles Copeland as Secretary of the Meeting.

The Stockholders of the Company were represented by proxy as follows:

E. I. duPont deNemours & Company, by proxy to L. duPont and C. Copeland,	346,521 shs.
Managers Securities Company, by proxy to L. duPont and C. Copeland, ...	148,509 shs.
a total of	495,030 "

being the entire amount of Capital stock issued and outstanding.

The minutes of the last annual meeting of the Stockholders, held on March 18th. 1925, were read and approved.

It appearing that the Board of Directors had appointed no inspectors for the meeting, the Chairman appointed Mr. MacMillan Hoopes and Miss Mary A. Dougherty (neither of them being a candidate for the office of Director) Inspectors of Election and Ballots.

The Chairman thereupon declared the polls open for the election of eight Directors by ballot in accordance with the By-Laws.

3573

A ballot being taken the Inspectors reported that the following gentlemen had each received 495,030 votes and were thereupon declared by the Chairman duly elected Directors for the ensuing year and until their successors are elected and qualified.

Donaldson Brown,
W. S. Carpenter, Jr.,
H. F. duPont,
Irenee duPont,
Lammot duPont,
P. S. duPont,
H. G. Haskell,
J. J. Raskob.

It was moved and seconded that all action by the Officers and Directors of this Company since the last annual meeting of the stockholders, as the same appear in the Books and Records of the Company be and the same are hereby approved, ratified and confirmed. This motion being put to a ballot, 495,030 shares voted in favor of the motion and no shares voted against the motion. The Chairman thereupon declared the motion carried unanimously.

On motion, the meeting was adjourned.

C. Copeland
Secretary.

Note: "gmc-471" is written at the bottom of the page.

Government's Exhibit No. 254

3574

GENERAL MOTORS SECURITIES COMPANY

ANNUAL MEETING OF STOCKHOLDERS
March 16, 1932

The Annual Meeting of the Stockholders of General Motors Securities Company was held in Room 9068, duPont Building, Wilmington, Delaware, on Wednesday, March 16, 1932 at eleven o'clock a. m., pursuant to notice mailed to each stockholder as provided by the By-Laws.

In the absence of the President, Mr. H. C. Haskell was chosen Chairman of the Meeting with Mr. Charles Copeland, Secretary, present and acting. The Secretary presented a copy of the Notice of the Meeting with proof of mailing thereof which was ordered appended to the Minutes of this Meeting.

The Chairman reported that 3,441,400 shares of the Class A Stock and 346,521 shares of the Common Stock, or a total of 3,787,921 shares of issued and outstanding stock entitled to vote, were represented at the Meeting.

Minutes of the Special Meeting of Stockholders held on February 10, 1931 were read, and on motion were unanimously approved.

The Chairman announced that it was in order to proceed with the election of Directors for the ensuing year.

The following persons were nominated as Directors of the Company for the ensuing year, two of whom, as set forth below, being nominated by the holders of the Class A Stock as a class, i. e.:

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Donaldson Brown	Nominated by
W. S. Carpenter, Jr.	Holders of Class A Stock:
H. F. duPont	Fred J. Fisher
Irenee duPont	John T. Smith
Lammot duPont	
P. S. duPont	
A. B. Echols	
H. G. Haskell	
J. J. Raskob	
Alfred P. Sloan, Jr.	

—2—

Thereupon, on motion duly seconded, Messrs. J. L. Bradley, T. R. Hanley and K. T. Prigg were unanimously appointed Inspectors of Election to decide upon the qualifications of voters at the Meeting and to receive the ballots for Directors. Said Inspectors being present and having been sworn to the faithful performance of their duties, proceeded to determine the qualifications of voters present, and thereupon reported that 3,441,400 shares of the Class A Stock of the Company entitled to vote were issued and outstanding, 3,170,691 shares of which were represented at the Meeting in person or by duly authorized representative as follows:

Sundry Class A Stockholders by proxies
to W. S. Carpenter, Jr., 3,170,691 shares;

and that 346,521 shares of the Common Stock of the Company entitled to vote were issued and outstanding, 346,521 shares of which were represented at the Meeting by duly authorized representative as follows:

Sundry Common Stockholders by proxies to W. S. Carpenter, Jr., 346,521 shares.

The polls were duly opened at 11:30 o'clock, and remained open until 12:30 o'clock in accordance with the By-Laws. The polls being closed, the ballots for Directors were taken in charge by said Inspectors, and on the votes being counted by said Inspectors, they reported that the above named persons had been duly elected Directors of the Company, two of whom, viz. Messrs. John T. Smith and Fred J. Fisher having been elected by the holders of Class A Stock, as a class.

Thereupon, said Inspectors made out a Certificate accordingly stating the number of shares of Class A Stock and of the Common Stock issued and outstanding entitled to vote, and the number of votes cast for each of the nominees for Directors of the Company, and delivered the same to the Secretary of the Company. It appearing from

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said Certificate of said Inspectors that Messrs. Donaldson Brown, W. S. Carpenter, Jr., H. F. duPont, Irenee duPont, Lammot duPont, P. S. duPont, A. B. Echols, H. G. Haskell, J. J. Raskob and Alfred P. Sloan, Jr., had each received 378,227.91 votes, and that Messrs. Fred J. Fisher and John T. Smith had each received 31,706.91 votes cast by the holders of the Class A Stock, as a class, the Chairman thereupon declared that the above persons had been duly elected Directors of the Company, to hold office until the next Annual Meeting of the Company and until their successors shall be elected and qualified.

It was moved and seconded that all acts taken by the Officers and Directors of the Company since the last Annual Meeting of the Stockholders, as the same appear on the

Books and Records of the Company, be and the same are hereby approved, ratified, and confirmed. Upon being put to a vote, all shares represented at the Meeting voted in favor thereof and the Chairman thereupon declared that the motion had been unanimously carried.

There being no further business, on motion, the Meeting adjourned.

C Copeland
Secretary

NOTE: The pages are numbered by stamp at the top from 93 to 95, inclusive. The initials "H.F.H." are written at the bottom of the last page. "gmc-479" is written at the bottom of each page. Italics indicate handwriting.

Government's Exhibit No. 256

GENERAL MOTORS SECURITIES COMPANY

ANNUAL MEETING OF STOCKHOLDERS

MARCH 15, 1933

The Annual Meeting of the Stockholders of General Motors Securities Company was held in the Directors' Room, Ninth Floor, DuPont Building, Wilmington, Delaware, on Wednesday, March 15, 1933, at 11:00 a. m., pursuant to notice mailed to each stockholder as provided by the By-Laws.

Mr. W. S. Carpenter, Jr., Vice-President presided at the meeting, with Mr. E. A. Howard, Assistant Secretary, acting as Secretary.

The Secretary presented a copy of the notice of the meeting with proof of mailing thereof, which was ordered appended to the minutes of this meeting.

The Chairman reported that 2,743,244 shares of the Class A Stock and 346,521 shares of the Common Stock, or a total of 3,089,765 shares of issued and outstanding stock entitled to vote, were represented at the meeting.

Minutes of the Last Annual Meeting of the Stockholders, held on Wednesday, March 16, 1932, were read and, upon motion, unanimously approved.

The Chairman announced that it was in order to proceed with the nomination and election of Directors for the ensuing year. The following persons were thereupon nominated, two of whom, as set forth below, being nominated by the holders of the Class A Stock as a class, i.e.:

	Nominated by the Holders of Class A Stock
Donaldson Brown,	
W. S. Carpenter, Jr.	
H. F. duPont,	Fred J. Fisher
Irenee duPont,	John T. Smith
Lammot duPont,	
P. S. duPont,	
A. B. Echols,	
H. G. Haskell,	
J. J. Raskob,	
Alfred P. Sloan, Jr.	

The Chairman appointed Messrs. J. L. Bradley, D. Irving Cashell and H. B. Robertson as Inspectors of Election to decide upon the qualification of voters at the meeting and to receive

the ballots for Directors. Said Inspectors being present, and having been sworn to the faithful performance of their duties, proceeded to determine the qualifications of voters present, and thereupon reported that 3,171,139 shares of the Class A Stock of the Company entitled to vote were issued and outstanding, 2,743,244 shares of which were represented at the meeting in person or by duly authorized representative as follows:

Sundry Class A Stockholders by proxies to W. S. Carpenter, Jr. 2,743,244 shares;

and that 346,521 shares of the Common Stock of the Company entitled to vote were issued and outstanding, 346,521 shares of which were represented at the meeting by duly authorized representative as follows:

Sundry Common Stockholders by proxies to W. S. Carpenter, Jr. 346,521 shares.

The polls were duly open at 11:00 o'clock, and remained open until 12:00 o'clock in accordance with the By-Laws. The polls being closed, the ballots for Directors were taken in charge by the Inspectors, and on the votes being counted by said Inspectors, they reported that the above-named persons had been duly elected Directors of the Company, two of whom, viz: Messrs. Fred J. Fisher and John T. Smith were elected by the holders of Class A Stock, as a class.

Thereupon, said Inspectors made out a Certificate accordingly stating the number of shares of Class A Stock and of the Common Stock issued and outstanding entitled to vote, and the number of votes cast for each of the nominees for Directors of the Company, and delivered same to the Secretary of the Company. It appearing from said Certificate of said Inspectors that Messrs. Donaldson Brown, W. S. Carpenter, Jr., H. F. duPont, Irenee duPont, Lammot duPont, P. S. duPont, A. B. Echols, H. G. Haskell, J. J. Raskob and Alfred P. Sloan, Jr., had each received 373,953.44 votes, and that Messrs. Fred J. Fisher and John T. Smith had each received 27,432.44 votes cast by the holders of the Class A Stock, as a Class, the Chairman thereupon declared that the above-named persons had been duly elected Directors of the Company, to hold office until the next Annual Meeting of the Stockholders or until their successors have been elected and qualify.

The Annual report of this company for the year 1932, printed copy of which had been mailed to each stockholder, was presented to the meeting, and upon motion duly made and seconded, it was voted that the report be accepted and approved.

It was moved and seconded that all acts taken by the Officers and Directors of the Company since the last Annual

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Meeting of the Stockholders, as the same appear on the books and records of the Company, be approved, ratified and confirmed. Upon being put to a vote, all shares represented at the meeting voted in favor thereof, and the Chairman thereupon declared that the motion had been unanimously carried.

There being no further business to come before the Stockholders, upon motion, the meeting was adjourned.

E A Howard
Secretary of the Meeting

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J H Howard

Note: Number stamped in upper right corner of page 2 is "109"

GENERAL MOTORS SECURITIES COMPANY

ANNUAL MEETING OF STOCKHOLDERS

MARCH 21, 1934.

The Annual Meeting of the Stockholders of General Motors Securities Company was held in the Directors' Room, Ninth Floor, DuPont Building, Wilmington, Delaware, on Wednesday, March 21, 1934, at 11:00 a.m., pursuant to notice mailed to each stockholder as provided by the By-Laws.

Mr. W. S. Carpenter, Jr., Vice-President, presided at the meeting, with Mr. E. A. Howard, Assistant Secretary, acting as Secretary.

The Secretary presented a copy of the notice of the meeting with proof of mailing thereof, which was ordered appended to the minutes of this meeting.

The Chairman reported that 1,532,454 shares of the Class A Stock and 346,521 shares of the Common Stock, or a total of 1,878,975 shares of issued and outstanding stock entitled to vote, were represented at the meeting.

Minutes of the last Annual Meeting of the Stockholders, held on Wednesday, March 15, 1933, were read and, upon motion, unanimously approved.

The Chairman announced that it was in order to proceed with the nomination and election of Directors for the ensuing year. The following persons were thereupon nominated, two of whom, as set forth below, being nominated by the holders of the Class A Stock as a class, i.e.:

	Nominated by the holders of Class A Stock
Donaldson Brown	Albert Bradley
W. S. Carpenter, Jr.	John T. Smith
H. F. du Pont	
Irénée du Pont	
Lammot du Pont	
P. S. du Pont	
A. B. Echols	
H. G. Haskell	
J. J. Raskob	
Alfred P. Sloan, Jr.	

The Chairman appointed Messrs. J. H. Cassidy, J. A. Horty and K. T. Prigg as Inspectors of Election to ~~decide~~ upon the qualification of voters at the meeting and to receive the ballots for Directors. Said Inspectors being present, and having been sworn to the faithful performance of their duties, proceeded to determine the qualification of voters present, and thereupon reported that 2,114,904 shares of the Class A Stock of the Company entitled to vote were issued and outstanding, 1,532,454 of which were represented at the meeting in person or by duly authorized representative as follows:-

Sundry Class A Stockholders by proxies to W. S. Carpenter, Jr.,	1,532,454	shares

and that 346,521 shares of the Common Stock of the Company entitled to vote were issued and outstanding, 346,521 shares of which were represented at the meeting by duly authorized representative as follows:-

Sundry Common Stockholders by proxies to W. S. Carpenter, Jr.,	346,521	shares.

The polls were duly opened at 11:00 o'clock, and remained open until 12:00 o'clock, in accordance with the By-Laws. The polls being closed, the ballots for Directors were taken in charge by the Inspectors, and on the votes being counted by said Inspectors, they reported that the above-named persons had been duly elected Directors of the Company two of whom, viz:- Albert Bradley and John T. Smith were elected by the holders of Class A Stock, as a class.

Thereupon, said Inspectors made out a Certificate
accordingly stating the number of shares of Class A Stock and
of the Common Stock issued and outstanding entitled to vote,
and the number of votes cast for each of the nominees for
Directors of the Company, and delivered same to the Secretary
of the Company. It appearing from said Certificate of said
Inspectors that Messrs. Donaldson Brown, W. S. Carpenter, Jr.,
H. F. du Pont, Irénée du Pont, Lammot du Pont, P. S. du Pont,
A. B. Echols, H. G. Haskell, J. J. Raskob and Alfred P. Sloan,
Jr. had each received 361,845.54 votes, and that Messrs.
Albert Bradley and John T. Smith had each received 15,324.54
votes cast by the holders of the Class A Stock, as a Class,
the Chairman thereupon declared that the above-named persons
had been duly elected Directors of the Company, to hold office
until the next Annual Meeting of the Stockholders or until
their successors have been elected and qualify.

The Annual report of this Company for the year 1933 printed copy of which had been mailed to each stockholder, was presented to the meeting, and upon motion duly made and seconded, it was voted that the report be accepted and approved.

It was moved and seconded that all acts taken by the Officers and Directors of the Company since the last Annual Meeting of the Stockholders, as the same appear on the books and records of the Company, be approved, ratified and confirmed. Upon being put to a vote, all shares represented at the meeting voted in favor thereof, and the Chairman thereupon declared that the motion had been unanimously carried.

There being no further business to come before the Stockholders, upon motion, the meeting was adjourned.

E A Howard
Secretary of the meeting.

2./

APPROVED AS TO LEGALITY

W H Cassid

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Government's Exhibit No. 258

INTERROGATORIES PROPOUNDED BY PLAINTIFF TO
GENERAL MOTORS CORPORATION

(Interrogatories 7 and 8)

7. State with respect to the operation of Managers Securities Company during the whole of the period of time it was in active existence:

(a) The name and official position of each of the General Motors (including subsidiaries) directors, officers, executives, or employees to whom was allocated Class A and/or Class B stock of the Managers Securities Company;

(b) The number of shares of Class A and Class B stock (separately) allocated to each such person, when the allocation was made, the consideration, if any, paid for the stock by the person to whom it was allocated, and how such consideration was paid;

(c) The dividends or other returns paid to each person on each class of such allocated stock during each year of the period of time after the stock was allocated;

(d) State the amount of consideration, whether in cash, shares of General Motors stock, or otherwise, paid to each such holder of Class A and Class B stock upon the liquidation or dissolution of the Managers

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Securities Company or on the holder taking advantage of any arrangement for the turning in of such Class A and/or Class B stock in exchange for other stock.

8. State for each year during which a General Motors Bonus plan (other than that of the Managers Securities Company), however described, organized, or operated, for the benefit of your officers and executives, was in operation up to and including June 30, 1949:

(a) The total number of persons receiving cash and/or stock bonus awards during the year, stating also:

(1) The total amount of cash awarded;

(2) The total number of shares of stock awarded; and

(3) If stock was awarded, the kind of stock and the approximate market value thereof at the time the award was made.

(b) The name and the then held official position of each director and officer of your company who received a bonus award, stating further:

(1) The amount of the cash award made to each;

(2) The number of shares of stock awarded to each, the kind of stock, and the approximate market value of such stock at the time the award was made;

(3) Whether or not the recipient of a stock award was required to make any payment therefor and, if so, how much and under what conditions as to payment (as whether in cash or on installments and, if the latter, whether out of normal income, cash bonus awards, or otherwise);

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(4) The annual salary, commission, or other compensation (other than the bonus award) paid by you to each such person during the year the bonus award was made.

(c) The name and the then held official position of each of the fifty persons receiving the fifty highest bonus awards (excluding from this listing the persons and the awards involved in subparagraph (b) above) made by your company each year, stating further with respect to each such person the information called for in (1) to (4), inclusive, of subparagraph (b) above.

SCHEDULE F

INTERROGATORY 7 (a) and 7 (b)

Managers Securities Company

(All stock was purchased from General Motors Corporation and was paid for in cash.)

Name	Position	Date	Class A Stock Purchased: No. of Shares	Class A Stock Purchased: Price Per Share	Class B Stock Purchased: No. of Shares	Class B Stock Purchased: Price Per Share
George G. Allen	General Purchasing Agent-Buick	Nov. 1923	200	$ 100.00	200	$ 25.00
B. H. Anibal	Chief Engineer-Oakland	July 1926	120	211.23	120	673.34
R. T. Armstrong (a)	General Manager-Armstrong Spring	Dec. 1924	200	146.54	200	25.00
Charles F. Barth	General Manager-Flint Plant-Chevrolet	Nov. 1923	240	100.00	240	25.00
	Vice-President in Charge Manufacturing-Chevrolet	May 1925	80	150.98	80	25.00
H. H. Bassett	General Manager-Buick	Apr. 1924	2,400	100.00	2,400	25.00
Henry L. Barton	Director of Factory Section-Advisory Staff	Nov. 1923	320	100.00	320	25.00
Eric L. Bergland	Director of Power and Construction Section-Advisory Staff	Nov. 1923	200	100.00	200	25.00
	Executive Secretary-Works Managers Committee	Apr. 1925	80	150.98	80	25.00
Elmer G. Biechler	Acting General Manager-Delco Light	Jan. 1924	200	141.13	200	25.00
	General Manager-Delco Light	May 1925	120	150.98	120	25.00
	" " "	July 1926	80	211.23	80	673.34
Ferdinand A. Bower	Assistant Chief Engineer-Buick	Nov. 1923	200	100.00	200	25.00
	" " "	June 1925	120	150.98	120	25.00
A. Bradley	Assistant Treasurer	Feb. 1925	200	129.04	200	25.00
A. J. Brandt	Production Manager-Oakland	July 1926	120	211.23	120	673.34
Donaldson Brown	Vice-President in Charge of Financial Staff	Nov. 1923	1,200	100.00	1,200	25.00
	" " " " " "	May 1925	400	150.98	400	25.00
A. L. Cash	General Manager-Northway	Nov. 1923	200	100.00	200	25.00
H. Winfield Chapin	General Manager-Brown-Lipe-Chapin	Nov. 1923	400	100.00	400	25.00
W. A. Chryst	Chief Engineer-Dayton Engineering Lab.	Nov. 1923	200	100.00	200	25.00
Samuel H. Cook	Assistant General Manager-Brown-Lipe-Chapin	Nov. 1923	200	100.00	200	25.00
Curtis C. Cooper	President-GMAC	Nov. 1923	480	100.00	480	25.00
M. E. Coyle	Comptroller-Chevrolet	Nov. 1923	200	100.00	200	25.00
	Assistant to President-Chevrolet	May 1925	80	150.98	80	25.00
C. E. Dawson	Assistant General Sales Manager-Chevrolet	Nov. 1923	200	100.00	200	25.00
Clarence M. Day	General Manager-Jaxon Steel Products	Nov. 1923	200	100.00	200	25.00
W. L. Day	General Manager-General Motors Truck	Nov. 1923	400	100.00	400	25.00
A. L. Deane	Vice-President-GMAC	Nov. 1923	200	100.00	200	25.00
Enos A. DeWaters	Chief Engineer-Buick	Nov 1923	200	100.00	200	25.00
	" " "	May 1925	120	150.98	120	25.00
H. C. Dunning	Assistant General Manager-Oldsmobile	Nov. 1923	200	100.00	200	25.00
C. B. Durham	Assistant General Manager-Buick	Nov. 1923	400	100.00	400	25.00
John H. Dwight	General Manager-Saginaw Products	Nov 1923	280	100.00	280	25.00
D. S. Eddins	General Sales Manager-Oldsmobile	May 1925	200	150.98	200	25.00
A. [illegible] Fisher	Member of Executive Committee-Fisher Body	Nov. 1924	600	100.00	600	25.00
Charles T. Fisher	Director and Member of Executive Committee	Nov. 1924	1,720	100.00	1,720	25.00
E. F. Fisher	Member of Executive Committee-Fisher Body	Nov. 1924	600	100.00	600	25.00

Name	Position	Date	Class A Stock Purchased No. of Shares	Class A Stock Purchased Price Per Share	Class B Stock Purchased No. of Shares	Class B Stock Purchased Price Per Share
Fred J. Fisher	Director and Member of Executive Committee	Nov. 1924	1,720	$ 100.00	1,720	$ 25.00
Lawrence P. Fisher	Director and Member of Executive Committee	Nov. 1924	880	100.00	880	25.00
	General Manager-Cadillac	May 1925	400	150.98	400	25.00
W. A. Fisher	President-Fisher Body	Nov. 1924	880	100.00	880	25.00
Thomas B. Fordham	Factory Superintendent and Works Manager-Delco Light	Jan. 1924	200	141.13	200	25.00
Homer J. Forsythe	General Manager-Hyatt Roller Bearing	Nov. 1923	200	100.00	200	25.00
A. R. Glancy	General Manager-Oakland	Feb. 1925	400	129.04	400	25.00
	" " "	July 1926	200	211.23	200	673.34
Richard H. Grant	General Manager-Delco Light	Nov. 1923	400	100.00	400	25.00
	Assistant to President-Chevrolet	Jan. 1924	400	100.00	400	25.00
A.B.C. Hardy	General Manager-Oldsmobile	Nov. 1923	800	100.00	800	25.00
Herbert C. Harrison	General Manager-Harrison Radiator	Nov. 1923	400	100.00	400	25.00
Omar L. Harrison	Sales Manager-Dayton Engineering Lab.	Nov. 1923	200	100.00	200	25.00
	General Manager-Dayton Engineering Lab.	Apr. 1925	120	150.98	120	25.00
George H. Hannum	General Manager-Oakland	Nov. 1923	800	100.00	800	25.00
A. Lawrence Haskell	General Manager-General Motors Export	Nov. 1923	200	100.00	200	25.00
E. C. Howard	Assistant to President-Cadillac	May 1925	200	150.98	200	25.00
O. E. Hunt	Chief Engineer-Chevrolet	Nov. 1923	200	100.00	200	25.00
	" " "	Apr. 1925	120	150.98	120	25.00
J. B. Jackson	Staff Manager-General Services	Apr. 1925	120	150.98	120	25.00
E. F. Johnson	Group Executive-Inter-Company Parts Div.	Nov. 1923	200	100.00	200	25.00
	Assistant to Group Executive-Accessory Divs.	Apr. 1925	200	150.98	200	25.00
W. H. Johnson	Managing Director-General Motors, Ltd.	Nov. 1923	240	100.00	240	25.00
Kaufman T. Keller	Manager of Manufacture-Chevrolet	Nov. 1923	400	100.00	400	25.00
C. F. Kettering	President-G.M. Research	Nov. 1923	1,200	100.00	1,200	25.00
W. S. Knudsen	Vice-President in Charge of Manufacture-Chevrolet	Nov. 1923	1,200	100.00	1,200	25.00
Bernard G. Koether	Director of Sales Section-Advisory Staff	Nov. 1923	200	100.00	200	25.00
Ralph S. Lane	President-United Motors Service	Nov. 1923	200	100.00	200	25.00
A. H. Lawrence	Sales Director-General Motors Ltd.	Nov. 1923	144	100.00	144	25.00
Gordon Lefebvre	General Manager-G.M. of Canada, Ltd.	July 1926	160	211.23	160	673.34
Robert T. Longway	Assistant Treasurer-Buick	Nov. 1923	200	100.00	200	25.00
James Lynah	Executive Secretary-General Purchasing Comm.	Mar. 1925	200	150.98	200	25.00
James McEvoy	Director of Patent Section	Feb. 1925	200	146.54	200	25.00
R.S. McLaughlin	President-G.M. of Canada, Ltd.	Nov. 1923	600	100.00	600	25.00
Lynn McNaughton	Sales Manager-Cadillac	Nov. 1923	320	100.00	320	25.00
Harvey J. Mallery	Comptroller-Buick	Nov. 1923	200	100.00	200	25.00
C. W. Matheson	General Sales Manager-Oakland	July 1926	120	211.23	120	673.34
Thomas Midgley, Jr.	Vice-President-General Motor Chemical	Nov. 1923	200	100.00	200	25.00
J. D. Mooney	Vice-President in charge of Export Operations	Nov. 1923	320	100.00	320	25.00
	" " " " " " "	Dec. 1924	80	100.00	80	25.00
G.D. Moore	General Manager-Toledo Plant-Chevrolet	Nov. 1923	120	100.00	120	25.00
Charles Stewart Mott	Vice-President in charge of Car and Truck Group	Nov 1923	2,400	100.00	2,400	25.00
C. J. Nephler	General Sales Manager-Oakland	May 1924	200	141.13	200	25.00
Don P. O'Keefe	Purchasing Agent-Chevrolet	Nov. 1923	120	100.00	120	25.00
	" " "	May 1925	80	150.98	80	25.00

Name	Position	Date	Class A Stock Purchased No. of Shares	Class A Stock Purchased Price Per Share	Class B Stock Purchased No. of Shares	Class B Stock Purchased Price Per Share
E.M. Orr	Assistant General Manager-Oakland	Nov. 1923	200	$ 100.00	200	$ 25.00
DeWitt Page	General Manager-New Departure	Nov. 1923	800	100.00	800	25.00
James Parkhill (a)	General Manager-Armstrong Spring	Dec. 1928	25	(a)	100	(a)
G.H. Peasley	Sales Manager-Olds Motor Works	Apr. 1924	200	141.13	200	25.00
John L. Pratt	Group Executive in charge of Accessory Divisions	Nov. 1923	800	100.00	800	25.00
	" " " " " "	Jan. 1925	400	100.00	400	25.00
	" " " " " "	May 1925	400	150.98	400	25.00
M.L. Prentiss	Treasurer	Nov. 1923	400	100.00	400	25.00
Ernest W. Proctor	Assistant Comptroller	Nov. 1923	200	100.00	200	25.00
J.J. Raskob	Chairman-Finance Committee	Nov. 1923	2,400	100.00	2,400	25.00
I.J. Reuter	General Manager-Remy Electric	Nov. 1923	400	100.00	400	25.00
	General Manager-Olds.	Feb. 1925	200	150.98	200	25.00
H.H. Rice	General Manager-Cadillac	Nov. 1923	800	100.00	800	25.00
E.C. Riley	Managing Director-General Motors Ltd.	Mar. 1925	200	150.98	200	25.00
Coleman J. Ross	General Superintendent-Buick	Nov. 1923	200	100.00	200	25.00
L.M. Rumely	General Manager-G.M. Export	Aug. 1925	120	150.98	120	25.00
John J. Schumann, Jr.	Vice-President-GMAC	Nov. 1923	320	100.00	320	25.00
John M. Scott	Manufacturing Engineer-Olds.	Nov. 1923	200	100.00	200	25.00
Ernest W. Seaholm	Chief Engineer-Cadillac	Nov. 1923	100	100.00	100	25.00
	" " "	May 1925	100	150.98	100	25.00
Livingston L. Short	Vice-President-GEC	Nov. 1923	200	100.00	200	25.00
Alfred P. Sloan, Jr.	President	Nov. 1923	2,800	100.00	2,800	25.00
	"	May 1925	400	150.98	400	25.00
John T. Smith	General Counsel	Nov. 1923	400	100.00	400	25.00
Chester A. Souther	Advisory Staff, in charge Income Taxes	Nov. 1923	200	100.00	200	25.00
D.M. Spaidal	Vice-President-GMAC	Nov. 1923	200	100.00	200	25.00
W.R. Strickland	Asst.-Chief Engineer-Cadillac	May 1925	100	150.98	100	25.00
A.H. Swayne	Vice-President	Mar 1925	200	150.98	200	25.00
David O. Thomas	General Manager-Muncie Products	May 1925	100	150.98	100	25.00
Frank Turner	Comptroller	Nov. 1923	200	100.00	200	25.00
E.W. Webb	General Attorney	Nov. 1923	200	100.00	200	25.00
W.S. Whittaker	General Manager-Inland Mfg.	July 1926	80	211.23	80	673.34
A.U. Widman	Manager of Manufacturing-Cadillac	Nov. 1923	320	100.00	320	25.00
Charles E. Wilson	Factory Manager-Remy Electric	Nov. 1923	200	100.00	200	25.00
	General Manager-Remy Electric	Apr. 1925	120	150.98	120	25.00
H.G. Zimmerman	Regional Manager-G.M. Export	Aug. 1925	120	150.98	120	25.00

(a) Mr. R.T. Armstrong, General Manager, Armstrong Spring Division, in December 1928, transferred, with the consent of General Motors Corp., to his successor in that capacity, Mr. James Parkhill, one-half his holdings of Managers Securities Company stock, namely 25 shares of Class A stock (after reflecting redemptions of 150 shares of his original holdings of Managers Securities Company, and 100 shares of Class B stock.

INTERROGATORY 7 (a) and 7 (b)

General Motors Management Corporation

(All common stock was purchased from General Motors Corporation and was paid for in cash.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased: No. of Shares	Price Per Share
Robert H. Ahlers	Factory Manager-Delco Products	Apr. 1930	55	$ 100.00
Don E. Ahrens	Asst. Gen. Sales Mgr.-Cadillac	Apr. 1930	70	100.00
Cecil L. Alexander	Regional Sales Mgr.-Chevrolet	Apr. 1930	55	100.00
Anthony C. Anderson	Asst. Comptroller	Apr. 1930	70	100.00
Charles R. Anderson	Resident Comptroller-New Departure	Apr. 1930	55	100.00
Harry W. Anderson	Asst. Gen. Mgr.-United Motors	Apr. 1930	40	100.00
Benjamin H. Anibal	Vice-Pres.-Oakland	Apr. 1930	175	100.00
Walter Appel	Dir. Engineering Dept.-Adam Opel, A.G.	Apr. 1930	75	100.00
Thomas P. Archer	Pres.-Ternstedt;Asst. to Vice-Pres.-Fisher Body	Apr. 1930	175	100.00
William F. Armstrong	Asst. to Vice-Pres.-Central Office	Apr. 1930	125	100.00
Ollie V. Badgley	Factory Manager-Delco-Remy	Apr. 1930	90	100.00
D. K. Banker	Comptroller-Frigidaire	Apr. 1930	55	100.00
E. Judson Barney	Supt. of Materials -Frigidaire	Apr. 1930	40	100.00
Charles Bartlett	Managing Director-Gen. Motors Ltd.	Apr. 1930	80	100.00
Arthur Bassett	Managing Director-G.M. Export	Apr. 1930	65	100.00
George F. Benkhart	Vice-Pres.-G.M.A.C.	Apr. 1930	40	100.00
Louis B. Berg	Works Manager-A.C. Spark Plug	Apr. 1930	40	100.00
	" " " "	June 1930	15	100.00
Gray H. Bernard	Factory Manager-Olds Motor Works	Apr. 1930	100	100.00
Henry E. Beyster	Works Engineer-Fisher Body	Apr. 1930	40	100.00
Elmer G. Biechler	Pres. & Gen. Mgr.-Frigidaire	Apr. 1930	350	100.00
William A. Blees	General Sales Mgr.-Oakland	Apr. 1930	175	100.00
Ben V.Borella	Asst. Treasurer	Apr. 1930	40	100.00
Ferdinand A. Bower	Chief Engineer-Buick	Apr. 1930	175	100.00
Albert Bradley	Vice-President	Apr. 1930	1,000	100.00
Ernest R. Breech	Gen. Asst. Treasurer	Apr. 1930	90	100.00
Doran P. Brother	Asst. to Director Sales	Apr. 1930	40	100.00
Donaldson Brown	Vice-President	Apr. 1930	1,500	100.00
Hanson A. Brown	Gen. Mgr.-GM of Canada, Ltd.	Apr. 1930	150	100.00
Paul R. Buergin	Managing Director-GM (France)S.A.	Apr. 1930	65	100.00
H. J. Carmichael	Pres. & Gen. Mgr. McKinnon Ind.	Apr. 1930	70	100.00
T. Monte Carpenter	Gen. Mgr.-Saginaw Crankshaft	Apr. 1930	35	100.00
Charles R. Carroll	Attorney	Apr. 1930	90	100.00
John J. Carter	Special Assignments-Adam Opel	Apr. 1930	140	100.00
John C. Chick	Asst. Gen. Sales Mgr.-Chevrolet	Apr. 1930	105	100.00
	General Sales Manager-Cadillac	Feb. 1931	70	100.00
George T.Christopher	Chief Inspector-Olds Motor Works	Apr. 1930	55	100.00

GENERAL MOTORS MANAGEMENT CORPORATION (cont.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased: No. of Shares	Price Per Share
Leslie V. Christy	Asst. Treasurer	Apr. 1930	40	$100.00
Charles W.Churchill	General Sales Mgr.-Buick	Apr. 1930	175	100.00
Henry L. Clark	Sales Representative-Chevrolet	Apr. 1930	35	100.00
George W.Codrington	Pres. & Gen. Mgr.-Winton Engine	Apr. 1930	140	100.00
Jerome T. Collins	Gen.Sales Mgr.-Olds Motor Works	Apr. 1930	100	100.00
Bert Conway	Asst.Plant Mgr.-Chevrolet	Apr. 1930	35	100.00
Berry W. Cooper	Resident Compt.-Delco-Remy	Apr. 1930	55	100.00
Lewis K. Cooper	Regional Sales Mgr.-Chevrolet	Apr. 1930	70	100.00
Carl A. Copp	Asst. to Pres.-Frigidaire	Apr. 1930	55	100.00
Sidney Corbett,3rd	Mgr. Com.Car Div.-Chevrolet	Apr. 1930	40	100.00
Lonny S. Costley	Regional Sales Mgr.-Chevrolet	Apr. 1930	55	100.00
M.E. Coyle	Vice-Pres. & Gen. Auditor-Chevrolet	Apr. 1930	210	100.00
Edward B. Craig	Plant Mgr.-Fisher Body Corp.	Apr. 1930	35	100.00
Leroy V. Cram	Asst. Chief Engineer-Chevrolet	Apr. 1930	60	100.00
	" " " "	Dec. 1930	10	100.00
Charles S. Crawford	Chief Engineer -Adam Opel	Apr. 1930	55	100.00
James M. Crawford	Chief Engineer-Chevrolet	Apr. 1930	105	100.00
	" " "	Dec. 1930	70	100.00
Claude A. Crusoe	Director of Purchases-Fisher Body	Apr. 1930	70	100.00
Lewis D. Crusoe	Cost Supervisor-Fisher Body	Apr. 1930	55	100.00
	" " " "	Mar. 1931	15	100.00
Harlow H. Curtice	Pres. & Gen. Mgr.-A. C. Spark Plug	Apr. 1930	175	100.00
William J. Davidson	Executive Secretary, Gen. Tech. Com.	Apr. 1930	35	100.00
Glyn Davies	Vice-Pres.-G.M.A.C.	Apr. 1930	40	100.00
William E. Davis	Asst. to Gen. Mgr.-GM of Canada, Ltd.	Apr. 1930	70	100.00
C. E. Dawson	Mgr., National Users Dept.	Apr. 1930	105	100.00
Hugh Dean	Plant Manager-Chevrolet	Apr. 1930	70	100.00
Albert L. Deane	Pres.-Motors Holding	Apr. 1930	140	100.00
Albert M. deTonnay	Managing Dir.-G.M. Argentina S.A.	Apr. 1930	55	100.00
Harry M. Denyes	General Mgr.-Saginaw Steering Gear	Apr. 1930	40	100.00
Felix Doran, Jr.	Regional Sales Mgr.-Chevrolet	Apr. 1930	55	100.00
Morgan D. Douglas	Parts & Service Mgr.-Chevrolet	Apr. 1930	105	100.00
Charles F. Dye	Director of Employe Relations	Apr. 1930	50	100.00
Harley J. Earl	Director Art & Color Section-Fisher Body	Apr. 1930	90	100.00
D. S. Eddins	General Manager-Olds Motor Works	Apr. 1930	35[illegible]	100.00
Frank M. Edgar	Vice-Pres. & Gen. Mgr.-Ternstedt	Apr. 1930	70	100.00
Joseph R. Eggert	Plant Mgr.-Chevrolet	Apr. 1930	55	100.00
Forrest T. Ellis	Supt. of Mfg.-Cadillac	Apr. 1930	55	100.00
Rodger J. Emmert	President-G.M. Radio Corp.	Apr. 1930	125	100.00
Joseph Engelhard	Chief Body Engineer-Fisher Body	Apr. 1930	90	100.00
Ronald K. Evans	Manager Dir.-Vauxhall	Apr. 1930	95	100.00
	General Manager-Adam Opel	Mar. 1931	105	100.00
Alfred J. Fisher	Vice-Pres.-Fisher Body	Apr. 1930	280	100.00
	" " " "	Apr. 1935	970	155.89
Charles T. Fisher	Vice-Pres. & Member Exec. Comm.	Apr. 1930	1,500	100.00

GENERAL MOTORS MANAGEMENT CORPORATION (cont.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased: No. of Shares	Price Per Share
Edward F. Fisher	Vice-Pres.-Fisher Body	Apr. 1930	280	$100.00
	" " " "	Apr. 1935	970	155.89
Fred J. Fisher	Vice-Pres. & Member Exec. Comm.	Apr. 1930	1,500	100.00
Lawrence P. Fisher	Pres. & Gen. Mgr.-Cadillac	Apr. 1930	1,000	100.00
	" " " " "	Apr. 1935	250	155.89
William A. Fisher	Pres. & Gen. Mgr.-Fisher Body	Apr. 1930	280	100.00
	" " " " " "	Apr. 1935	970	155.89
Charles P. Fiske	Vice-Pres. G.M.A.C.	Apr. 1930	40	100.00
William McH. Forman	Managing Dir.-GM New Zealand, G.M. Export	Apr. 1930	40	100.00
Homer J. Forsythe	Gen. Mgr.-Hyatt Roller Bearings	Apr. 1930	70	100.00
Edward W. Fox	Production Mgr.-Fisher Body	Apr. 1930	140	100.00
August Freise	Vice-Pres.-G.M.A.C.	Apr. 1930	55	100.00
Edward W. Fuhr	Regional Sales Mgr.-Chevrolet	Apr. 1930	70	100.00
R.D. Funkhouser	Vice-Pres.-Frigidaire	Apr. 1930	35	100.00
Charles M. Gearing	Div. Mgr.-New Departure	Apr. 1930	90	100.00
Harvey D. Geyer	Chief Engineer-Inland	Apr. 1930	35	100.00
Alfred W. L. Gilpin	Regional Sales Mgr.-Chevrolet	Apr. 1930	70	100.00
Alfred R. Glancy	Pres. & Gen. Mgr.-Oakland	Apr. 1930	350	100.00
Edward J. Gleason	Asst. Plant Mgr.-Fisher Body	Apr. 1930	35	100.00
Edward R. Godfrey	Works Mgr.-Frigidaire	Apr. 1930	50	100.00
	" " "	May 1930	50	100,00
Richard H. Grant	Vice-President	Apr. 1930	1,000	100.00
John E. Grimm, Jr.	Vice-Pres. & Director of Sales-G.M. Radio	Apr. 1930	105	100.00
William G. Guthrie	Plant Mgr.-Adam Opel A.G.	Apr. 1930	65	100.00
Edward A. Halbleib	Pres. & Gen. Mgr.-North East Appliance	Apr. 1930	105	100.00
Frank M. Hardiman	Pres. & Gen. Mgr.-Harrison Radiator	Apr. 1930	125	100.00
J. A. Harlan	Sales Mgr. Dist. Div.-Frigidaire	Apr. 1930	75	100.00
George P. Harrington	Managing Director-Java	Apr. 1930	65	100.00
J. Garfield Harris	Mgr. Fisher Body St. Louis	Apr. 1930	65	100.00
O. Lee Harrison	Sales Mgr.-Delco Remy	Apr. 1930	105	100.00
William Harvey, Jr.	Gen. Supply Manager-G.M. Export	Apr. 1930	80	100.00
F. Leslie Hayford	Economic Statistician	Apr. 1930	35	100.00
Herbert J.C.Henderson	Director Sales & Advertising-Fisher Body	Apr. 1930	70	100.00
Max L. Hillmer	Gen. Mgr.-Saginaw Steering Gear	Apr. 1930	45	100.00
Henry M. Hogan	Attorney	Apr. 1930	70	100.00
William E. Holler	Regional Sales Mgr.-Chevrolet	Apr. 1930	60	100.00
	Assistant General Sales Mgr.-Chevrolet	Dec. 1930	30	100.00
Harry L. Horton	Regional Sales Mgr.-Chevrolet	Apr. 1930	70	100.00
Graeme K. Howard	Regional Director-G.M. Export	Apr. 1930	90	100.00
Frederick G. Hughes	Vice-Pres.-New Departure	Apr. 1930	125	100.00

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GENERAL MOTORS MANAGEMENT CORPORATION (cont.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased No. of Shares	Price Per Share
Daniel F. Hulgrave	Manager of Purchases-Cadillac	Apr. 1930	55	$100.00
Ormond E. Hunt	Vice-President	Apr. 1930	1,000	100.00
Roger G. Hutchison	Vice-Pres.-G.M.A.C.	Apr. 1930	40	100.00
Wilson S. Isherwood	Sales Mgr.-Jobbing Business-AC Spark Plug	Apr. 1930	90	100.00
Edson W. Ivey	Div. Compt.-Chevrolet	Apr. 1930	55	100.00
John B. Jackson	Gen. Mgr.-Jaxon Steel Products	Apr. 1930	90	100.00
James A. Jamieson	Div. Compt.-Chevrolet	Apr. 1930	55	100.00
	General Mgr.-Chevrolet Com'l Body Div.	Dec. 1930	35	100.00
Charles M. Jessup	Production Manager-Delco-Remy	Apr. 1930	55	100.00
C. F. Kettering	Pres.-Gen. Motors Research Lab.	Apr. 1930	700	100.00
Wallace G. Kileen	Div. Head-Accounting	Apr. 1930	55	100.00
Fred S. Kimmerling	Gen. Mgr.-Guide Lamp	Apr. 1930	95	100.00
William A. Kirby	Supervising Mgr.-Fisher Body	Apr. 1930	70	100.00
Harry J. Klingler	Vice-Pres. & Gen. Sales Mgr.-Chevrolet	Apr. 1930	210	100.00
Wm. S. Knudsen	Pres. & Gen. Mgr.-Chevrolet	Apr. 1930	875	100.00
Victor A. C. Koch	Supervision of Lumber Mills & Layout-Fisher Body	Apr. 1930	90	100.00
Bernard G. Koether	Dir. Sales & Service	Apr. 1930	140	100.00
Frederick C. Kroeger	Pres. & Gen. Mgr.-Delco-Remy	Apr. 1930	265	100.00
Bayard D. Kunkle	Pres.-Delco Products	Apr. 1930	95	100.00
	" " "	Nov. 1930	30	100.00
Loron G. Kurtz	Gen. Superintendent-Buick	Apr. 1930	90	100.00
Raymond L. Kurtz	Gen. Purchasing Agent-Buick	Apr. 1930	35	100.00
David F. Ladin	Managing Dir.-GM Inter-National S.A.	Apr. 1930	60	100.00
Augustin N. Lawrence	Managing Dir.-G.M. (Australia) Pty. Ltd.	Apr. 1930	65	100.00
Meredith F. Lawrence	Special Asst.-G.M. Export	Apr. 1930	75	100.00
Thomas L. Lee	Vice-Pres. & Chief Engineer-North East Appliance	Apr. 1930	70	100.00
Ernest R. Leeder	Plant Mgr.-Fisher Body Corp.	Apr. 1930	50	100.00
Gordon Lefebvre	Vice-President-Oakland	Apr. 1930	175	100.00
Arnold Lenz	Plant Manager-Chevrolet	Apr. 1930	70	100.00
Wendell G. Lewellen	Sales Promotion Manager-Chevrolet	Apr. 1930	35	100.00
Joseph P. Little	President-Motor Accounting	Apr. 1930	105	100.00
Robert T. Longway	Assistant General Manager-Buick	Apr. 1930	195	100.00
George B. Low	Plant Manager-Chevrolet	Apr. 1930	70	100.00
Benito F. Loygorri	Managing Director-G.M. Peninsular, S.A.	Apr. 1930	50	100.00
Lewis L. Lukes	Vice-President-G.E.I.C.	Apr. 1930	40	100.00
Persus H. MacGregor	General Superintendent Production-Chevrolet	Apr. 1930	55	100.00
Ferdinand Marschner	Western Sales Manager-New Departure	Apr. 1930	55	100.00
Reune Martin	Treasurer-G.M.A.C.	Apr. 1930	40	100.00
Pierre J. Mauck	Supervising Engineer-Fisher Body	Apr. 1930	90	100.00
Richard A. May	Managing Director-G.M. Japan	Apr. 1930	50	100.00
Ira G. McCreery	Vice-President-G.M.A.C.	Apr. 1930	135	100.00
Charles L. McCuen	Chief Engineer-Olds Motor Works	Apr. 1930	125	100.00

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GENERAL MOTORS MANAGEMENT CORPORATION (cont.).

Name	Position	Date	General Motors Management Corp. Common Stock Purchased — No. of Shares	Price Per Share
Taine G. McDougal	V-P in Charge of Ceramic Eng. & For.Oper.-A.C. Spark Plug	Apr. 1930	75	$100.00
James McEvoy	Acting General Attorney	Apr. 1930	140	100.00
H.O.K. Meister	Assistant General Manager-Hyatt Roller Bearings	Apr. 1930	35	100.00
Harry G. Mengel	Div. Comptroller-Buick	Apr. 1930	55	100.00
Edward A. Meyer	Comptroller-Olds Motor Works	Apr. 1930	35	100.00
Clarence A. Michel	V-P in charge of Engineering-Guide Lamp	Apr. 1930	35	100.00
Charles O. Miller	Purchasing Agent-Oakland	Apr. 1930	70	100.00
Robert S. Montgomery	Plant Manager-Chevrolet	Apr. 1930	55	100.00
James D. Mooney	V-P in charge of Export	Apr. 1930	1,000	100.00
William J. Mougey	Managing Director-G.M. Nordiska, A.B.	Apr. 1930	55	100.00
Joseph L. Myers	Vice-President-G.M.A.C.	Apr. 1930	50	100.00
Edward B. Newill	Chief Engineer-Frigidaire Corp.	Apr. 1930	70	100.00
I. Herbert Nie	Supt. Planning and Specification-Fisher Body	Apr. 1930	55	100.00
William Notman	General Superintendent Plants-Chevrolet	Apr. 1930	40	100.00
Fred A. Oberheu	Assistant General Manager-United Motors	Apr. 1930	90	100.00
Don P. O'Keefe	General Purchasing Agent-Chevrolet	Apr. 1930	105	100.00
Cyrus R. Osborn	General Manufacturing Manager-G.M. Export	Apr. 1930	75	100.00
William M. Packer	Regional Sales Manager-Chevrolet	Apr. 1930	60	100.00
Edwin R. Palmer	Treasurer-Adam Opel,A.G.	Apr. 1930	40	100.00
	" " " "	July 1930	20	100.00
Edwin F. Papworth	Assistant General Manager-Brown-Lipe-Chapin	Apr. 1930	35	100.00
Evan J. Parker	Plant Manager-Fisher Body	Apr. 1930	65	100.00
James Parkhill	General Manager-Armstrong Spring	Apr. 1930	90	100.00
Geo. C. Paterson	Plant Manager-Fisher Body	Apr. 1930	40	100.00
Arthur G. Phelps	Service Manager-Delco-Remy	Apr. 1930	40	100.00
Hosea B. Phillips	Regional Director, Far East-G.M. Export	Apr. 1930	75	100.00
Jerome T. Potter	Branch Manager-G.M. (Australia) Pty. Ltd.	Apr. 1930	55	100.00
John L. Pratt	V-P in charge Accessory Divisions	Apr. 1930	1,500	100.00
Meyer L. Prentis	Treasurer	Apr. 1930	265	100.00
Frank H. Prescott	Chief Engineer-Delco-Remy	Apr. 1930	125	100.00
Ernest W. Proctor	Comptroller	Apr. 1930	140	100.00
David E. Ralston	Assistant General Sales Manager-Chevrolet	Apr. 1930	105	100.00
Harry L. Randall	Plant Manager-Fisher Body	Apr. 1930	35	100.00
Conrad Rehbein	Manager, Dies & Metal Tooling-Fisher Body	Apr. 1930	105	100.00
Irving J. Reuter	Managing Director-Adam Opel, A.G.	Apr. 1930	700	100.00
George D. Riedel	European Manager-Frigidaire	Apr. 1930	55	100.00
Edward C. Riley	Managing Director-G.M. Continental S.A.	Apr. 1930	75	100.00
William S. Roberts	Plant Manager-Chevrolet	Apr. 1930	55	100.00
Clinton R. Scharff	Traffic Director-Chevrolet	Apr. 1930	55	100.00
Ernst Schebera	General Manager-Fleetwood-Fisher Body	Apr. 1930	55	100.00
James M.Schoonmaker,Jr	President-Gen. Aviation Corp.	Apr. 1930	80	100.00

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GENERAL MOTORS MANAGEMENT CORPORATION (cont.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased No. of Shares	Price Per Share
John J. Schumann, Jr.	President-G.M.A.C.	Apr. 1930	440	$100.00
Ernest W. Seaholm	Chief Engineer-Cadillac	Apr. 1930	175	100.00
George C. Seers	Managing Director-G.M. India Ltd.	Apr. 1930	60	100.00
Paul W. Seiler	General Manager-Yellow Truck & Coach	Apr. 1930	240	100.00
Lewis C. Shannon	Foreign Sales Manager-Frigidaire	Apr. 1930	55	100.00
Livingston L.Short	President-G.E.I.C.	Apr. 1930	135	100.00
Herbert E. Shutt	Assistant Production Manager-Fisher Body	Apr. 1930	55	100.00
Lester G. Sigourney	Sales Manager-New Departure	Apr. 1930	55	100.00
Charles B. Simmons	Production Superintendent-New Departure	Apr. 1930	90	100.00
E.Glenn Simpson	Engineer-Fisher Body	Apr. 1930	65	100.00
Alfred P. Sloan,Jr.	President	Apr. 1930	2,250	100.00
Edward W. Sly	Purchasing Agent-Chevrolet	Apr. 1930	55	100.00
Edgar W. Smith	Assistant to President-G.M. Export	Apr. 1930	80	100.00
John T. Smith	General Counsel	Apr. 1930	1,500	100.00
Donald M. Spaidal	Executive V-P-G.M.A.C.	Apr. 1930	175	100.00
Louis M. Spencer	Patent Attorney	Apr. 1930	70	100.00
Keith M. Spurrier	Plant Manager-Fisher Lumber Corp.	Apr. 1930	45	100.00
Robert Staudinger	General Finance Manager-G.M. Export	Apr. 1930	75	100.00
Peter S. Steenstrup	Managing Director-G.M. Nordiska	Apr. 1930	75	100.00
Edward R.Stettinius,Jr	Assistant to J. L. Pratt	Apr. 1930	90	100.00
Lewis A. Stewart	Production Manager-Olds Motor Works	Apr. 1930	35	100.00
Charles B. Stiffler	Comptroller-Oakland	Apr. 1930	70	100.00
Raymond H. Sullivan	Personnel Director-Fisher Body	Apr. 1930	40	100.00
William D. Sullivan	Asst. General Manager-G.M. Export	Apr. 1930	95	100.00
Floyd O. Tanner	Asst. Mgr. of Mfg.-Chevrolet	Apr. 1930	105	100.00
David O. Thomas	General Mgr.-Saginaw Malleable Iron	Apr. 1930	55	100.00
Earl A. Thompson	Asst. Chief Engineer-Cadillac	Apr. 1930	55	100.00
Harry Tipper	General Sales Mgr.-G.M. Export	Apr. 1930	80	100.00
Roy B. Townsend	Asst. Plant Mgr.-Chevrolet	Apr. 1930	45	100.00
Nathaniel C.Tuxbury	Managing Director-G.M. So. Africa Ltd.	Apr. 1930	75	100.00
Edwin M. VanVoorhees	Managing Director-G.M. of Brazil	Apr. 1930	75	100.00
Albert Vuilleumier	Plant Superintendent-New Departure	Apr. 1930	55	100.00
Benson A. Waderlow	Plant Superintendent-Chevrolet	Apr. 1930	55	100.00
Edward S. Wallace	Plant Mgr.-Chevrolet	Apr. 1930	55	100.00
George H. Wallace	Asst. General Sales Mgr.-Buick	Apr. 1930	125	100.00
Wilfred B. Wardle	Comptroller-Cadillac	Apr. 1930	55	100.00
Henry G. Weaver	Spec. Assign. on Pub. & Wel. Work	Apr. 1930	40	100.00
Horace W. Webster	In charge Gen Tax Dept.	Apr. 1930	40	100.00
Herman L. Weckler	Works Mgr.-Buick	Apr. 193	195	100.00
Charles E. Wetherald	Asst. Mgr. of Mfg.-Chevrolet	Apr. 193	175	100.00

GENERAL MOTORS MANAGEMENT CORPORATION (cont.)

Name	Position	Date	General Motors Management Corp. Common Stock Purchased No. of Shares	Price Per Share
William T. Whalen	Vice-Pres.-Fokker Aircraft Corp.	Apr. 1930	140	$100.00
Raleigh K. White	Advertising Mgr.-Chevrolet	Apr. 1930	70	100.00
Wallace S.Whittaker	General Mgr.-Inland	Apr. 1930	90	100.00
Albert V. Widman	Works Mgr.-Cadillac	Apr. 1930	175	100.00
Arthur J. Wieland	Managing Dir.-G.M. G.m.b.H.(Germany)	Apr. 1930	65	100.00
Erwin K. Wild	Managing Dir.-G.M. Near East S.A.	Apr. 1930	60	100.00
Robert L. Wilkinson	Sales Mgr.-Delco Products	Apr. 1930	55	100.00
Dale E. Williams	Asst. Comptroller, Oakland-Chevrolet	Apr. 1930	35	100.00
Harry M. Williams	Mgr. Research Engineering-Frigidaire	Apr. 1930	65	100.00
William C.Williams,Jr.	General Superintendent Assembly Plants-Chevrolet	Apr. 1930	105	100.00
George W. Wolf	Managing Dir.-G.M.W. Polsce	Apr. 1930	55	100.00
Charles E. Wilson	Vice-President	Apr. 1930	1,000	100.00
John G. Wood	General Manager-Muncie Products	Apr. 1930	125	100.00
Sydney A. Woodmancy	Plant Manager-Chevrolet	Apr. 1930	55	100.00
	" " "	Dec. 1930	35	100.00
Ellery L. Wright	Plant Manager-Chevrolet	Apr. 1930	55	100.00
Manfred Wronker-Flatow	Adam Opel, A.G.	Apr. 1930	95	100.00
Austin F. Young	Regional Sales Mgr.-Chevrolet	Apr. 1930	70	100.00
Harold T. Youngren	Asst. Chief Engineer-Buick	Apr. 1930	55	100.00
Joseph Zubaty	Chief Development Engineer-AC Spark Plug	Apr. 1930	35	100.00

Government's Exhibit No. 262

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COPY

7 August 1929

Copy to

Irenee du Pont
Lammot du Pont,
Henry du Pont,
H. G. Haskell,
Walter S. Carpenter Jr.
M. D. Fisher.

General Motors Securities Company,
Wilmington, Delaware.

Gentlemen:

I wrote to the General Motors Corporation suggesting that that Corporation purchase my Managers Securities Company stock paying me therefor in General Motors Corporation common stock. In my letter I said:

> "For example my rough figures show the Managers Securities Company B stock worth about $341,000,000 with General Motors valued at $80. per share. My proportion is six per cent or about $20,460,000. Deducting $500,000 would leave $19,960,000 to be paid to me in General Motors common stock at $80. per share."

The Finance Committee of the General Motors Corporation felt that it was not advisable to do this unless the

Corporation was in position to make a similar offer to the other Managers Securities Company stockholders, as it was felt important to treat everyone alike. Discussion developed the fact that if the du Pont Company was willing to dissolve the General Motors Securities Company, delivering its assets consisting wholly of General Motors Corporation common stock to the stockholders, then the du Pont Company and the Managers Securities Company would both hold common stock of the General Motors Corporation and the Managers Securities Company would then be in a position to deliver General Motors stock to its stockholders, should they so desire.

If it is the intention of the du Pont Company to agree to a dissolution of the General Motors Securities Company at the end of 1930 when the Managers Securities Company contract with General Motors terminates then it would seem to the advantage of the du Pont Company or the General Motors Securities Company to consider the purchase of my Managers Securities Company stock which I am willing to sell on the basis offered to the General Motors Corporation.

During the past fourteen years I have devoted my best efforts to the General Motors Corporation and tried in every way possible to do my part in making it a success, and while connected with it was perfectly willing to have practically my entire fortune invested in it. But now that I am no longer an active partner engaged with those responsible for shaping the policies and carrying on the management of the Corporation, I feel it unwise to have such a large portion of my total fortune tied up in the Managers

Securities Company which accounts for my anxiety to convert this stock into a security that will enable me to have a marketable security both for collateral purposes and for sale at such time in the future as it may seem to me desirable to reduce the large investment I have in this one security.

I sincerely hope that this will receive most sympathetic consideration as certainly it is not constructive to be forced to remain in a partnership of which I am no longer a part.

Very truly yours,

(s) John J. Raskob

NOTE: "Received Aug. 8 — 1920 Lammot du Pont" is stamped at the top of the first page. "GMC-530b" is written at the bottom of each page.

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Government's Exhibit No. 263

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GENERAL MOTORS CORPORATION
BROADWAY AT 57TH STREET
NEW YORK, N. Y.

August 13, 1929.

Mr. Lammot duPont,
E. I. duPont deNemours & Company,
Wilmington, Delaware.

My dear Lammot:—

I note Mr. Raskob's letter to General Motors Securities Company of August 7th.

While it must be admitted that I have no authority or responsibility to speak particularly for the General Motors Securities Company, on the other hand the various interests are so interwoven that it really becomes a matter of general policy affecting, to a certain degree, all those concerned.

The decision so far as General Motors Corporation is concerned, was made by the Finance Committee and that is that, so to speak. So far as General Motors Securities Company is concerned or the duPont Company, it seems to me that irrespective of any concessions that Mr. Raskob might want to make, that that is a secondary consideration. As I stated to the Finance Committee, I go so far as to feel that a partner ought not to be penalized in withdrawing his partnership and so far as I am concerned I am perfectly satisfied to work out something if it can be done, whereby Mr. Raskob gets everything that is coming to him, assuming that the equities of all concerned are properly maintained.

Mr. Raskob makes the point that he is no longer a partner and, therefore, should not be tied up with his former partners. While this, to a certain extent is true, yet I think we all agree that if we had been in partnership and all the partners had profited tremendously as he has profited as a result of the partnership relationship, that one partner stepping out should not want to do anything that in any way influenced adversely his former partners.

I feel it might be constructive if the duPont Company would indicate as to whether they are willing to make the exchange, in principle, and if they are then it seems to me that we ought to sit around the table and discuss and decide how that could be done in the most constructive manner possible, not only recognizing the present but the future as well. Naturally, I will be glad to take this up if you think that it is the right way to proceed.

Very truly yours,

Alfred P. Sloan, Jr.

APSJr./K

NOTE: "Received Aug. 14, 1929 Lammot du Pont" and "Answered Aug. 19, 1929 Lammot du Pont" are stamped, and "GM-3" is written at the top of the page. "gmc-530a" is written at the bottom. Italics indicate handwriting.

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Government's Exhibit No. 264

Wilmington, Del., August 20, 1929.

Mr. Alfred P. Sloan, Jr., President,
General Motors Corporation,
New York City, N. Y.

Dear Alfred:

Referring to yours of August 13th, in regard to Mr. Raskob's offer to General Motors Securities Company; would state that we held yesterday a meeting of the General Motors Securities Board and discussed this matter rather informally.

Walter Carpenter has been giving some study to the question of how to get the General Motors' stock out of the General Motors Securities Company and into the hands of the Managers' Securities Company without the payment by someone of very large taxes. It looks as though it were going to be very difficult to accomplish this without du Pont or a corporation owned by du Pont, paying a very heavy tax, and it looks almost a certainty that the managers' Securities Company or its stockholders will have to pay a very large tax on the General Motors' stock when it eventaully gets into the beneficiaries' hands.

Walter is still trying to figure out some way to either avoid the tax or make it as small as possible, but I am afraid he will be a serious obstacle to doing

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what we want to do. Pierre was present at this discussion, although John was not. Pierre gave it as his view that very likely John had failed to think about the tax situation.

Yours very truly,

CHAIRMAN OF THE BOARD.

LduP/MD

P. S. Walter tells me just now that he thinks he "has it".

L. du P.

MINUTES OF SPECIAL MEETING OF THE BOARD OF DIRECTORS OF GENERAL MOTORS SECURITIES COMPANY, HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON MONDAY, JANUARY 6, 1930, AT 11:00 A. M.

PRESENT: P. S. duPont, in the Chair,
W. S. Carpenter, Jr.,
H. F. duPont,
Irenee duPont,
Lammot duPont,
H. G. Haskell.

ABSENT: Donaldson Brown,
Fred J. Fisher,
J. J. Raskob,
Alfred P. Sloan.

PARTIAL LIQUIDATION OF COMPANY:

The following resolution was offered and, after discussion, was unanimously adopted:-

WHEREAS, the business and purpose of this Company is to hold securities and to distribute the proceeds therefrom among its stockholders; and

WHEREAS, certain of the stockholders, other than Managers Securities Company and E. I. duPont deNemours & Company, have signified a desire to liquidate their interests in the Company by surrendering for cancellation the full amount of stock held by them and receiving their proportionate interests in the assets of the Company;

NOW, THEREFORE, BE IT RESOLVED, that it is advisable to effect a partial liquidation of this Company by distributing to the stockholders, other than those above-mentioned, the assets represented by their ownership of the stock of this Company, upon the surrender by them for cancellation, on or before March 1, 1930, of the certificates evidencing said stock; and

FURTHER RESOLVED, that the officers of this Company be and they hereby are authorized and directed to request the written consent of the stockholders of the Company to the proposed partial liquidation, and, upon securing such consent, to execute on behalf of this Company and to file with the proper authorities a Certificate of Reduction of Capital, as provided by Section 28 of the Corporation Laws of Delaware, to distribute the proportionate part of the assets of this Company to the stockholders, other than Managers Securities Company and E. I. duPont deNemours & Company, and to do such further acts and things as may be necessary or requisite in order to accomplish said reduction of capital.

There being no further business to come before the Board, upon motion, the meeting was adjourned.

M D Fisher
Asst. Secretary.

"41" is stamped at upper right corner.

Government's Exhibit No. 266

October 24, 1930.

MR. W. S. CARPENTER, JR.:

At the General Motors Operations Committee meeting yesterday the question of liquidation of the old Managers' Securities Company was discussed.

Apparently, the reason for this coming up at this time is that some stockholders of Managers' Securities felt the need of additional collateral. If their Managers' Securities stock were in a form for use as collateral it would be very helpful.

There was only one new thought in the discussion. J. T. Smith suggested that Managers' Securities might be merged with du Pont Company, thereby avoiding any tax resulting in the Managers' Securities stockholders having du Pont Stock and du Pont Company having General Motors Securities stock. That would be turning back to duPont 100% of the General Motors Securities.

My off-hand comment was that that would be a good deal for du Pont if the consolidation was put through on a basis of market value; i.e., General Motors stock at 35 and du Pont at 95. I even gave it as my personal view that the market value of du Pont might be cut a few

—2—

points, making the basis; General Motors, 35; du Pont, 90.

Having the Managers' Securities group important stockholders would certainly tend to tie together further du Pont and General Motors. That would seem to me worth some-

thing to du Pont. It would surely be an advantage to the Managers' Securities stockholders; because they would receive not only a marketable security, but also one considerably more diversified than their Managers' Securities stock.

Smith felt that the Managers' Securities stockholders would not be warranted in making the exchange at anything like market value, but some others who were present didn't seem to have this view.

What do you think of this suggestion?

PRESIDENT.

LduP/MD

NOTE: "File Copy" is printed across each page. "GM-22" is written at top of first page and "gmc-533" is written at bottom of each page.

2

Government's Exhibit No. 267

3607

3785

TO: FINANCE COMMITTEE - DU PONT COMPANY
BOARD OF DIRECTORS - GENERAL MOTORS SECURITIES COMPANY

FROM: CHAIRMAN, FINANCE COMMITTEE

REORGANIZATION OF GENERAL MOTORS SECURITIES COMPANY AND ACQUISITION OF ASSETS OF MANAGERS SECURITIES COMPANY

You have previously discussed above proposal as embodied in letters exchanged with the Commissioner of Internal Revenue enclosed with my letter of December 1st. Since the Internal Revenue Department gave reasonable assurance that no gain or loss for income tax purposes will be realized by either Managers Securities Company or General Motors Securities Company on account of the reorganization and/or liquidation, the Managers Securities Company desire to proceed with the reorganization and have called a meeting of their stockholders for December 29th to approve or disapprove the plan. It is necessary that du Pont Company thru General Motors Securities Company give its consent to the plan. The plan includes indemnification of General Motors Securities Company and its stockholders against any and all expense or liability arising from reorganization or liquidation, and it is now submitted to your committee for approval.

Attached are the following Exhibits representing documents for which it is necessary to have your approval before proceeding with the various steps of reorganization:

Exhibit 1 - Reorganization agreement between General Motors Securities Company and Managers Securities Company.

Exhibit 2 - Amendment to charter of General Motors Securities Company, and resolution calling special meeting of stockholders on December 22, 1930 to authorize the amendment.

Exhibit 3 - Form of indemnity to be furnished General Motors Securities Company by the stockholders of Managers Securities Company coincident with receipt of General Motors Securities Company Class "A" stock from Managers Securities Company in liquidation.
This indemnifies General Motors Securities Company and its stockholders against tax and expense arising from the reorganization.

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Exhibit 4 - Form of indemnity to be furnished General Motors Securities Company by the holders of Class "A" stock when exchanging for General Motors common stock. This indemnifies General Motors Securities Company and its stockholders against tax and expense arising from liquidation.

It will be noted that in the Reorganization Agreement - Exhibit 1 - Managers Securities Company undertakes as follows:

> "Manager's Company hereby undertakes, on behalf of itself and its stockholders, to indemnify and save harmless Motors Company and its stockholders from and against any and all expenses, taxes, penalties and interest which may be imposed upon or demandable from said company, resulting from or attributable to said reorganization or any of the steps contemplated by this plan, together with any and all charges or outlays incidental thereto, including a reasonable amount as attorneys' fees, it being understood that Motors Company and its stockholders shall be saved harmless from any and all expense or liability which may be incurred by or imposed upon it as transferee of the assets of Managers Company or otherwise as a result of said transactions; and to this end Managers Company agrees to procure from each of its stockholders, on or before December 29, 1930, or within a reasonable time thereafter, such form of indemnification as shall be satisfactory to counsel of Motors Company."

It may not be possible to obtain an indemnity agreement from each stockholder of Managers Securities Company by the time specified for one reason or another and it is also possible that there may be a few who will not consent to the plan; nevertheless we have the assurance of the officers of Managers Securities Company that every effort will be made to obtain the indemnification agreement from each of its stockholders before delivery of the Class "A" stock.

With respect to indemnity agreement - Exhibit 4 - it is compulsory that the holders of Class "A" stock execute and deliver such agreement to General Motors Securities Company before they will be permitted to exchange for General Motors Common stock.

It will be noted that this plan provides for delivery to Managers Securities Company of 4,509,060 shares of General Motors Securities Company's newly created Class "A" stock in exchange for 48,509 shares of General Motors Securities Company's common stock (equivalent to 4,218,750 shares of General Motors common stock) and

290,310 shares of General Motors common stock owned directly by Managers Securities Company. Said General Motors common stock aggregating 4,509,060 shares will be ear-marked in a class "A" asset account which will be liquidated as and when Class "A" shares are deposited for exchange.

It is expected that a few of the Class "A" stockholders will immediately exchange for General Motors common stock including General Motors Corporation who are entitled to about 290,000 shares of General Motors common stock. We are unable to state at this time the amount to be exchanged by other stockholders.

The Committee is reminded that on December 30, 1929 it approved a plan similar in principal to the plan herewith submitted, the essential features of the plan previously approved are as follows:

> "E. I. du Pont de Nemours & Company hereby recognizes that Managers Securities Company shall be entirely free at any time or times to demand and receive such portion of the capital and surplus of General Motors Securities Company as may be represented by its ownership of the stock of said company, upon the surrender for cancellation of the certificates evidencing said stock, conditioned upon its furnishing such indemnification as shall adequately protect General Motors Securities Company and E. I. du Pont de Nemours & Company against any State or Federal tax liability that might result therefrom; and E. I. du Pont de Nemours & Company agrees that it will, upon the granting of such indemnification, approve or consent to such corporate action on the part of General Motors Securities Company as may be requisite in order to effect such distribution or distributions."

It is recommended that the action taken at meeting held on December 30, 1929 be rescinded.

With respect to the plan submitted herewith, attached resolution, Exhibit 5, has been drawn by the Legal Department for adoption by your committee, if the plan meets with your approval.

Resolution to be adopted by Board
of Directors, General Motors Securities Company

Attached resolution - Exhibit 6 - which is for adoption by the Board of Directors of General Motors Securities Company approves this plan and directs the officers to take all steps necessary to carry into effect such plan of reorganization.

W. S. CARPENTER

NOTE: Stamp at top center of first page reads: "RECEIVED M.D.F. DEC 12 1930". Stamp at upper right reads: "FINANCE SECY'S NO. 3785 COMMITTEE".

3610

AGREEMENT OF REORGANIZATION

THIS AGREEMENT, made this day of December, A. D. 1930, between MANAGERS SECURITIES COMPANY, a corporation of the State of Delaware (hereinafter referred to as "Managers Company"), party of the first part, and GENERAL MOTORS SECURITIES COMPANY, a corporation of the State of Delaware (hereinafter referred to as "Motors Company"), party of the second part,

W I T N E S S E T H :

WHEREAS, the activities of Managers Company have been reduced to the mere holding of securities, which is likewise the nature of the business of Motors Company; and

WHEREAS, it is mutually desired by the parties to enter into a plan of reorganization for the consolidation of their interests, whereby Motors Company may acquire substantially all of the assets of Managers Company upon the basis hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and conditions hereinafter set forth to be kept and performed, the parties hereto have agreed as follows:

1. Managers Company shall transfer and deliver to Motors Company, as of December 29, 1930, all of the property and assets shown on its books as of November 30, 1930, other than cash and notes of General Motors Acceptance Corporation.

2. In exchange for said property and assets, Motors Company shall issue and deliver to Managers Company, as of December 29, 1930, four million, five hundred nine thousand, sixty (4,509,060) shares of the Class "A" stock of Motors Company, to be created for such purpose. The special rights and limitations of said class of stock shall be defined substantially as follows in Article 4 of the Certificate of Incorporation of Motors Company:

(See Exhibit 2 attached)

EXHIBIT 1

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3. Immediately after the transfer of substantially all of its assets to Motors Company as aforesaid, and as a component part of this plan, Managers Company shall take whatever action is required to dissolve its corporate existence, wind up its affairs, and distribute among its stockholders ~~the stock~~ of Motors Company received in the exchange aforesaid, together with all other assets remaining after payment of its debts and liabilities.

4. Upon the distribution of the stock of Motors Company among the stockholders of Managers Company as aforesaid, fractional shares to which any stockholder would be entitled shall be purchased by Motors Company on the basis of the market value, as of the close of business on December 27, 1930, of the assets of the company represented thereby.

5. In further consideration of the benefits derived or to be derived by Managers Company and its stockholders from the carrying out of this plan of reorganization, Managers Company hereby undertakes, on behalf of itself and its stockholders, to indemnify and save harmless Motors Company and its stockholders from and against any and all expenses, taxes, penalties and interest which may be imposed upon or demandable from said company, resulting from or attributable to said reorganization or any of the steps contemplated by this plan, together with any and all charges or outlays incidental thereto, including a reasonable amount as attorneys' fees, it being understood that Motors Company and its stockholders shall be saved harmless from any and all expense or liability which may be incurred by or imposed upon it as transferee of the assets of Managers Company or otherwise as a result of said transactions; and to this end Managers Company agrees to procure from each of its stockholders, on or before December 29, 1930, or within a reasonable time thereafter, such form of indemnification as shall be satisfactory to counsel of Motors Company.

3612 6. This agreement is further conditioned upon proper authorization being given by the stockholders of each of the parties hereto, on or before December 29, 1930, of such acts as the respective parties have hereinabove undertaken to perform; otherwise this agreement shall become null and void.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed by their officers thereunto duly authorized, and their corporate seals to be hereto affixed, duly attested by their secretaries, this   day of December, A. D. 1930.

MANAGERS SECURITIES COMPANY

By____________________
President

Attest____________________
Secretary

GENERAL MOTORS SECURITIES COMPANY

By____________________
President

Attest____________________
Secretary

NOTE: Stamp at bottom of first page of "Exhibit 1" reads: "4". On page 2, "5" is stamped below page number.

WHEREAS, it is deemed advisable to amend Article 4 of the Certificate of Incorporation by providing for an issue of 4,509,060 shares of Class "A" stock of the Corporation;

THEREFORE, BE IT RESOLVED, that Article 4 of the Certificate of Incorporation of this Corporation be amended to read as follows:

"4. A - The authorized capital stock of the Corporation shall consist of two classes of stock aggregating five million, nine thousand and sixty (5,009,060) shares, divided into five hundred thousand (500,000) shares of Common Stock of the par value of One Hundred Dollars ($100.00) per share, amounting in the aggregate to Fifty Million Dollars ($50,000,000), and four million, five hundred nine thousand, sixty (4,509,060) shares of Class "A" Stock of the par value of One Dollar ($1.00) per share, amounting in the aggregate to Four Million, Five Hundred Nine Thousand, Sixty Dollars ($4,509,060). From time to time, the authorized amount of the Common Stock and Class "A" Stock may be increased or decreased according to law.

B - "There shall be created for the sole benefit of the Class "A" Stock an appropriate asset account (hereinafter referred to as the Cla "A" account), to which shall be allocated all shares of the common stock of General Motors Corporation acquired by the Corporation by the issue of shares of its Class "A" Stock, and such number of shares of the common stock of General Motors Corporation owned by the Corporation as are represented by shares of the Common Stock of the Corporation acquired by the Corporation by the issue of shares of its Class "A" Stock, including any increases thereof or substitutes therefor as a result of stock dividend, exchange, or otherwise. A Class "A" Surplus account shall be created to which shall be credited all income, rights and profits received in connection with assets carried in the Class "A" account. There shall be debited to the Class "A

EXHIBIT 2

Surplus account all taxes and expenses of the Corporation resulting from the creation, issue, exchange and/or redemption of the Class "A" Stock, and all taxes and expenses resulting directly or indirectly in respect of the assets carried in such Class "A" account, and also such reasonable share of all administrative and general expenses of the Corporation as shall be determined by the Board of Directors.

C - "Dividends on the Class "A" stock shall be paid exclusively from Class "A" surplus. The Class "A" stock shall not participate in nor benefit from any assets of the Corporation other than the assets carried in the Class "A" account. Dividends on the Common Stock shall be paid from surplus and/or net profits derived by the Corporation in respect of all assets of the Corporation other than assets carried in the Class "A" account. The Common Stock shall not participate in nor benefit from any assets carried in the Class "A" account.

D - "In the event of any liquidation or dissolution or winding-up of the Corporation, whether voluntary or otherwise, after paying all debts, bonded or otherwise, taxes and all administrative expenses of the Corporation, each holder of the Class "A" Stock shall be entitled, before any distribution be made to stockholders of any other class, to receive his pro rata share of the assets allocated thereto; viz., one such present share of common stock of General Motors Corporation, or its future equivalent, increased by any stock dividend and/or net income applicable thereto, or decreased by any deficit and/or liability properly applicable thereto, as the case may be.

E-1 - "The Corporation by action of its Board of Directors may at any time, and at the request of any holder of Class "A" stock upon ninety (90) days notice in writing to the Corporation shall, redeem the whole or any part of the Class "A" stock held by such holder, upon receiving an undertaking from such holder

satisfactory to the Board of Directors agreeing to indemnify and hold the Corporation and its stockholders free and harmless from any tax liability arising or which may arise from such redemption, in cash and/or property at its option, upon surrender and cancellation of such shares, and if in cash at the closing bid price per share for common stock of General Motors Corporation on the New York Stock Exchange on the day preceding the day of redemption, and if in property, one share of the present General Motors common stock with any stock dividend declared and paid thereon, or the future equivalent thereof for each share of Class "A" stock so surrendered for redemption; in either case, however, increased by any net income applicable thereto or decreased by any deficit and/or liability properly applicable thereto, as the case may be; provided, however, that of the Class "A" Stock originally issued (or its future equivalent) not more than 80% shall be redeemable as aforesaid prior to January 1, 1934, and that to evidence such classification separate certificates shall be issued for shares redeemable with and for shares redeemable without such limitation. Shares of the Class "A" stock so redeemed or purchased, and shares of the Common Stock which may be surrendered to the Corporation on the conversion or exchange thereof into or for other shares of the Corporation, shall not thereafter be re-issued but shall be retired and the capital of the Corporation decreased accordingly.

E-2 - "The Corporation may apply to such redemption or purchase an amount out of its capital which shall not be greater than the sum of (1) that part of the consideration received for such shares which shall be capital pursuant to provisions of Section 14 of the General Corporation Law of the State of Delaware, and that part of surplus which shall have been transferred and treated as capital in respect of such shares pursuant to the provisions of said Section and (2) any amounts by which the capital of the Corporation shall have been increased by other transfers from surplus in accordance with the provisions of said Section 14 of said Law, but no such redemption or purchase shall be made out of capital unless the assets of the Corporation remaining after such redemption or purchase shall be sufficient to pay

any debts of the Corporation, the payment of which shall not have been otherwise provided for.

E-3 - "Whenever any capital of the Corporation is applied to the redemption or the purchase of shares pursuant to the provisions aforesaid, a certificate shall be made accordingly under the seal of the Corporation and the hands of its President or a Vice-President and its Secretary or an Assistant Secretary and the President or such Vice-President shall acknowledge said certificate before an officer authorized by the laws of Delaware to take acknowledgments of deeds, and said certificate, so executed and acknowledged, shall be filed and a copy thereof shall be recorded, in the same manner as Certificates of Incorporation are required to be filed and recorded by the provisions of Section 6 of the General Corporation Law of Delaware; and thereupon the capital of the Corporation shall be deemed to be and shall thereby be reduced by the amount so applied without the necessity of any other proceedings. If the shares so redeemed or purchased, or surrendered on conversion or exchange or liquidation, constitute all the outstanding shares of Class "A" stock, the Board of Directors shall have power, by the Certificate so filed and recorded, to amend the Certificate of Incorporation, so as to eliminate all reference to the shares so redeemed or purchased or surrendered or liquidated and on the filing and recording of such certificate the Certification of Incorporation shall be deemed to be amended accordingly.

E-4 - "Nothing herein contained shall in any way affect the rights of the Corporation to redeem or purchase any of its shares from surplus and to hold such shares or to resell them for such consideration as shall be fixed from time to time by the Board of Directors.

F - "Each holder of the Common Stock shall be entitled to one (1) vote, and each holder of the Class "A" stock shall be

entitled to one one-hundredth (1/100) of a vote in person or by proxy for each share of the capital stock held by such holder respectively, except that at an election of Directors of the Corporation the holders of shares of Class "A" stock shall be entitled as a class to elect two (2) Directors.

G - "The holders of each class of stock, as a class, shall be entitled, to the exclusion of any other class, as such holders, in proportion to their respective holdings and under such reasonable regulations as to period or otherwise as the Board of Directors may determine, to purchase or subscribe for any stock of their respective classes, or any warrant or warrants, option or options, or other instrument or instruments that shall confer upon the holder or holders thereof the right to subscribe for or purchase or receive from the Corporation any stock of such class which the Corporation may issue or sell for cash.

H - "From time to time the Common Stock and Class "A" stock may be issued in such proportions and for such consideration as shall be determined by the Board of Directors and as may be permitted by law.

I - "The amount of capital stock with which this Corporation shall commence business is One Thousand Dollars ($1,000.00)."

FURTHER RESOLVED, that a meeting of the stockholders of this Corporation to take action upon the foregoing Resolution be called to be held at the principal office of the Corporation, No. 7 West Tenth Street, in the City of Wilmington, Delaware, at 10:00 o'clock A. M. on the twenty-second day of December, 1930.

NOTE: The successive pages of "Exhibit 2" are stamped with the numbers, 7 to 11, inclusive, respectively, at the bottom center. The proviso clause in large type at the middle of page 3 of "Exhibit 2" is typed on a separate strip and stapled to left margin at middle of page.

3618 AGREEMENT OF INDEMNIFICATION

WHEREAS, upon the request and in the interests of the stockholders of Managers Securities Company, a corporation of the State of Delaware, an agreement of reorganization has been entered into by said company and General Motors Securities Company, subject to approval by the stockholders of each company, which agreement provides for the transfer of substantially all of the assets of Managers Securities Company to General Motors Securities Company in exchange for Class "A" stock of the latter, and the distribution of said stock among the stockholders of Managers Securities Company; and

WHEREAS, Managers Securities Company has undertaken to procure from each of its stockholders an agreement to indemnify General Motors Securities Company and its stockholders against expenses and liabilities resulting from or attributable to such reorganization;

NOW, THEREFORE, in consideration of the benefits to be derived from said reorganization, the undersigned hereby binds himself, his heirs, executors, administrators and assigns, to indemnify and save harmless General Motors Securities Company and its stockholders from and against any and all expenses, taxes, penalties and interest which may be imposed upon or demandable from said Company, or its stockholders, resulting from or attributable to said reorganization, together with any and all charges and outlays incidental thereto, including a reasonable amount as attorneys' fees, and upon demand by the Company on behalf of itself or any stockholder, shall pay over to it the proportionate amount of such liability or shall furnish such adequate security as may be acceptable to the Company; it being understood that said indemnification shall be limited to such proportion of the expenses and liabilities aforesaid as amount of stock of Managers Securities Company held by the undersigned as of December 27, 1930, bears to the total stock of the company outstanding on that date.

It is understood that the undersigned shall not be relieved of his obligation hereunder by failure of General Motors Securities Company or its stockholders to contest the correctness of any such liability which may be imposed upon, or demandable from it or them; provided, however, that it shall be the duty of the Company, or of any stockholder directly affected, promptly after receipt or knowledge of any such demand or assessment to notify the undersigned in writing, mailed to his last known address, of the nature and amount of the liability asserted and of its intention either to concede or to contest the vailidity thereof.. The decision not to contest said liability or claim shall rest exclusively with the Directors elected by the Class "A" stockholders.

Dated at ____________, ____________, this   day of December, A. D. 1930.

____________________ (L. S.)

Witness:

____

EXHIBIT 3

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AGREEMENT OF INDEMNIFICATION

WHEREAS, the undersigned is the owner of shares of the Class "A" stock of General Motors Securities Company, a corporation organized under the laws of the State of Delaware; and

WHEREAS, under the provisions of Article 4 of the Certificate of Incorporation of said Company, shares of Class "A" stock may be surrendered by a holder thereof in exchange for a proportionate part of the Class "A" net assets of the Company, which right is conditioned upon the undertaking by the stockholder to indemnify the Company against expenses and liabilities resulting from or attributable to such exchange; and

WHEREAS, the undersigned desires to surrender ________ shares of the Class "A" stock of said Company upon the terms and basis of exchange set forth in the Certificate of Incorporation aforesaid;

NOW, THEREFORE, in consideration of the distribution to him, upon the surrender of said shares, of a proportionate part of the Class "A" net assets of General Motors Securities Company, on the terms and basis of exchange aforesaid, the undersigned hereby binds himself, his heirs, executors, administrators and assigns, to indemnify and save harmless General Motors Securities Company and its stockholders from and against any and all expenses, taxes, penalties and interest which may be imposed upon or demandable from said Company, or its stockholders, resulting from or attributable to the acceptance of the shares so surrendered by the undersigned and the distribution to him of such assets, together with any and all charges and outlays incidental thereto, including a reasonable amount as attorneys' fees; and the undersigned agrees that upon demand by the Company on behalf of itself or any stockholder, he will pay over to it the amount of such liability or will furnish such adequate security in lieu thereof as may be acceptable to the Company.

It is understood that the undersigned shall not be relieved of his obligation hereunder by failure of General Motors Securities Company or its stockholders to contest the correctness of any such liability which may be imposed upon or demandable from it or them; provided, however, that it shall be the duty of the Company, or of any stockholder directly affected, promptly after receipt or knowledge of any such demand or assessment to notify the undersigned in writing, mailed to his last known address, of the nature and amount of the liability asserted and of its intention either to concede or to contest the validity thereof. The decision not to contest said liability or claim shall rest exclusively with the Directors elected by the Class "A" stockholders.

Dated at ________________, ________________, this day of ________ A. D. 193 .

Witness: ____________________ (L. S.)

____

EXHIBIT 4

NOTE: Stamp at bottom of page reads "13".

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FINANCE COMMITTEE

E. I. duPONT de NEMOURS & COMPANY

WHEREAS, the officers and directors of General Motors Securities Company propose to enter into a plan of reorganization with Managers Securities Company, which contemplates the acquisition by General Motors Securities Company of substantially all of the assets of Managers Securities Company in exchange for certain shares of a new class of stock (to be known as Class "A" Stock) to be created by General Motors Securities Company by amendment of its Certificate of Incorporation; and further contemplates the subsequent submission by General Motors Securities Company to its stockholders of a plan for partial or complete liquidation of said new class of stock to be effected by the distribution of the assets to be allocated to the account to be established for the sole benefit of said new class of stock to such of the stockholders of said new class of stock, pro rata to their stock holdings, as may elect to surrender their stock for cancellation; and

WHEREAS, there have been submitted to this Committee

(a) a proposed form of agreement of reorganization between said companies;

(b) a proposed form of amendment of Article 4 of the Certificate of Incorporation of General Motors Securities Company;

(c) a form of agreement of indemnification to cover direct or indirect income tax liability resulting from such reorganization; and

(d) a form of agreement of indemnification to cover direct or indirect income tax liability resulting from such partial or complete liquidation of said new class of stock;

RESOLVED, that the proper officers of this Company be and they hereby are authorized to vote the stock of this Company in favor of the proposed plan of reorganization, the amendment

EXHIBIT - 5

to the Certificate of Incorporation of General Motors Securities Company, the issuance of Class "A" Stock of said company in exchange for substantially all of the assets of Managers Securities Company, and the distribution of the assets of General Motors Securities Company in partial or complete liquidation to such of the stockholders of said new class of stock as may elect to participate therein, conditioned upon its receiving the indemnification against liability referred to in said agreement of reorganization; and to do all acts and things which may be necessary to carry into effect the plan of reorganization referred to in said form of agreement, and the further steps to be taken pursuant thereto.

NOTE: Successive pages of "Exhibit 5" are stamped, 14 & 15, respectively, at the bottom center.

BOARD OF DIRECTORS

GENERAL MOTORS SECURITIES CO.

WHEREAS, it is deemed advisable (a) that this Company enter into an agreement of reorganization with Managers Securities Company, whereby this Company shall acquire substantially all of the assets of said Managers Securities Company consisting of 148,509 shares of common stock of General Motors Securities Company (equivalent to 4,218,750 shares of common stock of General Motors Corporation) and 290,310 shares of common stock of General Motors Corporation in exchange for 4,509,060 shares of Class "A" Stock of this Company to be created for such purpose, and (b) that Article 4 of the Certificate of Incorporation of this Company be amended to provide for the authorized issue of 4,509,060 shares of the par value of $1 each of Class "A" Stock of the Corporation:

RESOLVED, that to effectuate the acquisition of the assets of Managers Securities Company above referred to, the proper officers of this Company be and they hereby are authorized and directed to execute on behalf of this Company an agreement with Managers Securities Company in substantially the form submitted to this meeting.

FURTHER RESOLVED, that Article 4 of the Certificate of Incorporation of this Company be amended to read as follows:

(See Exhibit "2")

FURTHER RESOLVED, that a meeting of the stockholders of this Corporation be called to be held at the principal office of the Corporation, No. 7 West Tenth Street, in the City of Wilmington, Delaware, at 10 o'clock A. M. on the 22nd day of December, 1930, for the following purposes:

(a) to consider authorization of the performance of the acts undertaken in the aforesaid agreement of reorganization between this Company and Managers Securities Company;

EXHIBIT 6

(b) to take action upon the adoption of the proposed amendment to the Certificate of Incorporation of this Company.

FURTHER RESOLVED, that upon the ratification of said agreement and the authorization of said amendment to the Certificate of Incorporation by the stockholders of this Corporation and the filing and recording thereof, the proper officers of this Corporation be and they hereby are authorized and directed to issue 4,509,060 shares of such Class "A" Stock of this Corporation in exchange for the assets of Managers Securities Company, as aforesaid, and to do all acts and things which may be necessary and proper to carry into effect the plan of reorganization aforesaid.

FURTHER RESOLVED, that the assets of Managers Securities Company proposed to be acquired as aforesaid by the issuance of proposed Class "A" shares of this Corporation shall be deemed to be of a value at least equivalent to the aggregate par value of the Class "A" shares hereby authorized to be issued, and upon acquisition of said assets as aforesaid an amount of $4,509,060 shall be capital, and any excess of such consideration so received represented by said assets as aforesaid shall be surplus.

FURTHER RESOLVED, that upon surrender in accordance with provisions of Certificate of Incorporation by any Class "A" stockholder of the Corporation of shares of the Class "A" Stock in exchange for his pro rata share of the Class "A" net assets, the proper officers of this Corporation be and they hereby are authorized and directed to assign, transfer and deliver to such Class "A" holder his pro rata share of cash and/or common stock of General Motors Corporation.

NOTE: Successive pages of "Exhibit 5" are stamped, 16 & 17, respectively.

3624

December 1, 1930.

TO: FINANCE COMMITTEE

FROM: CHAIRMAN, FINANCE COMMITTEE

Attached will be found a copy of an exchange of letters between the General Motors Corporation and the Commissioner of Internal Revenue on the proposed plan contemplating the dissolution of the Managers Securities Company and certain other steps. This plan you will recall was discussed in some detail at the meeting of the Finance Committee today.

W. S. CARPENTER, JR.

1341

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GENERAL MOTORS CORPORATION 3625

November 25, 1930.

Commissioner of Internal Revenue,
Washington, D. C.

Re: Managers Securities Company

Dear Sir:

Since my letter of January 7, 1930, the situation in regard to the proposed reorganization of Managers Securities Company has considerably changed, and the plan at that time considered has been abandoned. In its stead is a new plan under consideration in regard to which, as counsel for the company, I beg to submit the following questions for a ruling:

Managers Securities Company was organized in 1923 under the laws of Delaware for the purpose of dealing in securities. About the time of its organization it entered into a contract with General Motors Corporation by which it was entitled to receive for the period of eight years, a considerable sum of money annually. At the time of its organization, it purchased a large amount of General Motors Securities Company stock, which was a holding corporation organized under the laws of the State of Delaware, and owned a large block of General Motors common stock.

From time to time Managers Securities Company has purchased and sold General Motors Common stock, and at the present time its assets consist of shares of General Motors common stock, shares of General Motors Securities stock, and cash. It has no liabilities.

The stock of Managers Securities Company is divided into two classes: Class A and Class B stock. The Class A stock was entitled to the exclusive benefit of the payments made by General Motors Corporation to Managers Securities Company. As the contract under which these payments were made has been terminated, the principal difference between the two classes of stock has ceased to exist. The fact that these payments have expired, and as a result, the activities of the corporation in the future will be considerably different from those in the past, has led to serious consideration being given to a plan or reorganization along the following lines: (For the sake of convenience, arbitrary figures are used in the examples given below, but of course the real figures are available if they are desired.)

Managers Securities at the present time, let us say, has assets consisting of 1000 shares of General Motors common stock and 10,000 shares of General Motors Securities common stock, and there are outstanding 1000 shares of the Class A stock, and 4000 shares of the Class B stock of Managers Securities Company.

1. As the first step in the reorganization, it is proposed that the General Motors Securities Company will classify its stock into two classes, to be designated as Class X and Class Y stock. The fundamental difference between the two classes will be that each share of Class Y stock will have as an asset behind it, one share of General Motors stock; and on liquidation, retirement, or redemption, will be limited to its interest therein.

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3626 2. As the second step, it is proposed that General Motors Securities Company will acquire all of the assets of the Managers Securities Company in exchange for, say, the Class Y stock of General Motors Securities Company.

3. It is further proposed that the stock of General Motors Securities Company so acquired will be distributed to the stockholders of Managers Securities Company, and the Managers Securities Co. liquidated.

4. General Motors Securities Company will offerto retire the whole or any part of its Class Y stock byissuing in exchange therefor a corresponding amount of General Motors common stock represented thereby.

It is assumed that the foregoing plan, if carried out, will result in no tax to any of the corporations involved, nor to the stockholders thereof until such time as the former stockholder of Managers Securities Company sells or otherwise disposes of the Class Y stock of the General Motors Securities Company received by him pursuant to the reorganization. So far as the re-classification of the stock of General Motors Securities Company is concerned, I take it that this is already covered by your letter of January 8, 1930, which involved the same considerations with respect to a re-classification of the stock of Managers Securities Company.

As pointed out in my earlier letter, the problem is of great importance to a great number of share-holders, andthis is the reason that it has seemed wise to submit the matter to the Department in advance. We shall, of course, be very glad to give any further information and to submit the exact figures or any documents that may be desired.

Respectfully yours,

John T. Smith

General Counsel.

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GENERAL MOTORS CORPORATION

November 29, 1930.

Mr. C. R. Mudge,
E. I. du Pont de Nemours &Co.,
Wilmington, Delaware.

Dear Mr. Mudge:

Confirming my telephone conversation of this morning, I am enclosing a copy of the letter of November 28, 1930, from J. C. Wilmer, Deputy Commissioner of Internal Revenue, covering the question of tax and proposed reorganization of Managers Securities Company and General Motors Securities Company. This seems to cover the situation in a very satisfactory manner, and seemingly opens the way to proceed with the reorganization along the lines discussed.

I am glad to see that the Tax Department in express terms covers the point that you have always had in mind relative to the possible danger to the General Motors Securities Company upon partial liquidation of its own stock.

The opinion of the Commissioner seems to cover this flatly, and I make no doubt that it will be a great source of satisfaction to the Managers to realize that the reorganisation can be made effective during the current year.

Upon receipt of the Certificate of Incorporation and By-laws of the General Motors Securities Company, we will be very glad to start in a preliminary way drafting some of the papers involved in order to try to help expedite the reorganization.

Very truly yours,

John T. Smith

General Counsel.

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TREASURY DEPARTMENT
Washington.

November 28, 1930.

Office of
Commissioner of Internal Revenue.

General Motors Corporation.
Detroit, Michigan.

Attention: John T. Smith, General Counsel.

Sirs:

Reference is made to your letter of November 24, 1930, in which you request information concerning the effect, for income tax purposes, of a certain plan or reorganization involving the General Motors Securities Company and the Managers Securities Company.

From the information furnished it appears that the Managers Securities Company was organized in 1923 under the laws of Delaware for the purpose of dealing in securities, and that about the time of its organization it entered into a contract with your corporation by which it was entitled to receive for the period of eight years a considerable sum of money annually. At the time of its organization [redacted] company purchased a large amount of General Motors Securities Company stock. This latter company was a holding corporation organized under the laws of the State of Delaware and owned a large block of General Motors Corporation common stock. From time to time, it is stated, the Managers Securities Company has purchased and sold General Motors common stock and at the present time its assets consist of shares of General Motors Corporation common stock, shares of General Motors Securities Company stock and cash. It has no liabilities.

Under the reorganization plan in question the General Motors Securities Company stock will comprise two classes, designated as Class X and Class Y stock. The fundamental difference between these two classes will be that each share of Class Y stock will have as an asset behind it one share of General Motors Corporation stock; and upon liquidation, retirement or redemption will be limited to its interest therein. The General Motors Securities Company will then acquire all of the assets of The Managers Securities Company in exchange for the Class Y stock of the General Motors Securities Company. The stock of General Motors Securities Company so acquired by the Managers Securities Company will then be distributed to the stockholders of Managers Securities Company which will be liquidated. It is further stated that the General Motors Securities Company will subsequently offer to retire the whole or any part of its Class Y stock by issuing in exchange therefor a corresponding amount of General Motors Corporation common stock represented thereby.

Upon consideration of the particular information furnished it is held that the transactions involving the reclassification of the stock of General Motors Securities Company, the acquisition by the Managers Securities Company (in exchange for its assets) of the Class Y stock of General Motors Securities Company, and the distribution to the stockholders of the Managers Securities Company

of the General Motors Securities Company stock so acquired fall within the scope of Section 112(b)(3), (4) and (i) of the Revenue Act of 1928, concerning exchanges in connection with corporate reorganizations. You are advised generally, therefore, that in the transactions up to and including the distribution by the Managers Securities Company of the General Motors Securities Company stock to its stockholders, no gain or loss will be recognized for income tax purposes; nor will General Motors Securities Company realize any gain or loss upon distribution of its assets in kind in partial or complete liquidation of its stock.

The exchange by the former stockholders of the Managers Securities Company of the General Motors Securities Company stock for common stock of the General Motors Corporation will, of course, result in a gain or loss for income tax purposes, measured by the difference between the basis of the General Motors Securities Company stock in the hands of the former stockholders of the Managers Securities Company and the fair market value of the General Motors Corporation common stock as of the date of the exchange.

Respectfully,

J. C. Wilmer

Deputy Commissioner.

NOTE: Stamp at top center of cover letter reads: "RECEIVED M.D.F. DEC 2—1930"; what appears to be "2" is written to the left of the initials. Stamp at upper right reads: "FINANCE COMMITTEE Secy's No. 3692". Page numbers on pages 2 & 3 are blurred; below them are stamped "2" & "3", respectively. At bottom center of fifth page is stamped "5".

Government's Exhibit No. 268

MINUTES OF SPECIAL MEETING OF THE BOARD OF DIRECTORS OF GENERAL MOTORS SECURITIES COMPANY, HELD AT THE OFFICE OF THE COMPANY, WILMINGTON, DELAWARE, ON MONDAY, DECEMBER 15, 1930, AT 1:30 P.M.

PRESENT: P. S. duPont, in the Chair,
Donaldson Brown,
W. S. Carpenter, Jr.,
H. F. duPont,
Irenee duPont,
Lammot duPont,
A. B. Echols,
H. G. Haskell.

ABSENT: Fred J. Fisher,
J. J. Raskob,
Alfred P. Sloan, Jr.

REORGANIZATION OF GENERAL MOTORS SECURITIES COMPANY AND ACQUISITION OF ASSETS OF MANAGERS SECURITIES COMPANY:

Letter was presented from the Finance Committee of E. I. duPont deNemours & Company, dated December 15, 1930 (#35), enclosing copy of two reports from the Chairman of that Committee, dated December 1, 1930 and December 12, 1930, on the above subject, and advising as to action taken thereon by the Committee at meeting held to-day. After discussion, it was moved and unanimously carried that the letter and enclosures be received and ordered filed. It was then moved and carried (Mr. Donaldson Brown not voting), that the following resolution be adopted:-

WHEREAS, it is deemed advisable (a) that this Company enter into an agreement, of reorganization with Managers Securities Company, whereby this Company shall acquire substantially all of the assets of said Managers Securities Company consisting of 148,509 shares of common stock of General Motors Securities Company (equivalent to 4,218,750 shares of common stock of General Motors Corporation) and 290,310 shares of common stock of General Motors Corporation in exchange for 4,509,060 shares of Class "A" Stock of this Company to be created for such purpose, and (b) that Article 4 of the Certificate of Incorporation of this Company be amended to provide for the authorized issue of 4,509,060 shares of the par value of $1 each of Class "A" Stock of the Corporation;

RESOLVED, that to effectuate the acquisition of the assets of Managers Securities Company above referred to, the proper officers of this Company be and they hereby are authorized and directed to execute on behalf of this Company an agreement with Managers Securities Company in substantially the form submitted to this meeting;

FURTHER RESOLVED, that Article 4 of the Certificate of Incorporation of this Company be amended to read as follows:-

"4. A - The authorized capital stock of the Corporation shall consist of two classes of stock aggregating five million nine thousand and sixty (5,009,060) shares, divided into five hundred thousand (500,000) shares of Common Stock of the par value of One Hundred

Dollars ($100.00) per share, amounting in the aggregate to Fifty Million Dollars ($50,000,000.00), and four million, five hundred nine thousand sixty (4,509,060) shares of Class "A" Stock of the par value of One Dollar ($1.00)per share, amounting in the aggregate to Four Million, Five Hundred Nine Thousand, Sixty Dollars ($4,509,060.00). From time to time, the authorized amount of the Common Stock and Class "A" Stock may be increased or decreased according to law.

B - "There shall be created for the sole benefit of the Class "A" Stock an appropriate asset account (hereinafter referred to as the Class "A" Account), to which shall be allocated all shares of the common stock of General Motors Corporation acquired by the Corporation by the issue of shares of its Class "A" Stock, and such number of shares of the common stock of General Motors Corporation owned by the Corporation as are represented by shares of the Common Stock of the Corporation acquired by the Corporation by the issue of shares of its Class "A" Stock, including any increases thereof or substitutes therefor as a result of stock dividend, exchange, or otherwise. A Class "A" Surplus account shall be created to which shall be credited all income, rights and profits received in connection with assets carried in the Class "A" Account. There shall be debited to the Class "A" Surplus account all taxes and expenses of the Corporation resulting from the creation, issue, exchange and/or redemption of the Class "A" Stock, and all taxes and expenses resulting directly or indirectly in respect of the assets carried in such Class "A" account, and also such reasonable share of all administrative and general expenses of the Corporation as shall be determined by the Board of Directors.

C - "Dividends on the Class "A" stock shall be paid exclusively from Class "A" surplus. The Class "A" stock shall not participate in nor benefit from any assets of the Corporation other than the assets carried in the Class "A" account. Dividends on the Common Stock shall be paid from surplus and/or net profits derived by the Corporation in respect of all assets of the Corporation other than assets carried in the Class "A" account. The Common Stock shall not participate in nor benefit from any assets carried in the Class "A" account.

D - "In the event of any liquidation or dissolution or winding-up of the Corporation, whether voluntary or otherwise, after paying all debts, bonded or otherwise, taxes and all administrative expenses of the Corporation, each holder of the Class "A" Stock shall be entitled, before any distribution be made to stockholders of any other class, to receive his pro rata share of the assets allocated thereto; viz., one such present share of common stock of General Motors Corporation, or its future equivalent, increased by any stock dividend and/or net income applicable thereto, or decreased by any deficit and/or liability properly applicable thereto, as the case may be.

E -1-"The Corporation by action of its Board of Directors may at any time, and at the request of any holder of Class "A" stock upon ninety (90) days notice in writing to the Corporation shall, redeem the whole or any part of the Class "A" stock held by such holder, upon receiving an undertaking from such holder satisfactory to the Board of Directors agreeing to indemnify and hold the Corporation and its stockholders free and harmless from any tax liability arising or which may arise from such

redemption in cash and/or property at its option, upon surrender and cancellation of such shares, and if in cash at the closing bid price per share for common stock of General Motors Corporation on the New York Stock Exchange on the day preceding the day of redemption, and if in property, one share of the present General Motors common stock with any stock dividend declared and paid thereon; or the future equivalent thereof for each share of Class "A" stock so surrendered for redemption; in either case, however, increased by any net income applicable thereto or decreased by any deficit and/or liability properly applicable thereto, as the case may be; provided, however, that of the Class "A" Stock originally issued (or its future equivalent) not more than 80% shall be redeemable as aforesaid prior to January 1, 1934, and that to evidence such classification separate certificates shall be issued for shares redeemable with and for shares redeemable without such limitation. Shares of the Class "A" stock so redeemed or purchased, and shares of the Common Stock which may be surrendered to the Corporation on the conversion or exchange thereof into or for other shares of the Corporation, shall not thereafter be re-issued but shall be retired and the capital of the Corporation decreased accordingly.

E -2- "The Corporation may apply to such redemption or purchase an amount out of its capital which shall not be greater than the sum of (1) that part of the consideration received for such shares which shall be capital pursuant to provisions of Section 14 of the General Corporation Law of the State of Delaware, and that part of surplus which shall have been transferred and treated as capital in respect of such shares pursuant to the provisions of said Section and (2) any amounts by which the capital of the Corporation shall have been increased by other transfers from surplus in accordance with the provisions of said Section 14 of said Law, but no such redemption or purchase shall be made out of capital unless the assets of the Corporation remaining after such redemption or purchase shall be sufficient to pay any debts of the Corporation, the payment of which shall not have been otherwise provided for.

E -3- "Whenever any capital of the Corporation is applied to the redemption or the purchase of shares pursuant to the provisions aforesaid, a certificate shall be made accordingly under the seal of the Corporation and the hands of its President or a Vice-President and its Secretary or an Assistant Secretary, and the President or such Vice-President shall acknowledge said certificate before an officer authorized by the laws of Delaware to take acknowledgments of deeds, and said certificate, so executed and acknowledged, shall be filed and a copy thereof shall be recorded, in the same manner as Certificates of Incorporation are required to be filed and recorded by the provisions of Section 6 of the General Corporation Law of Delaware; and thereupon the capital of the Corporation shall be deemed to be and shall thereby be reduced by the amount so applied without the necessity of any other proceedings. If the shares so redeemed or purchased, or surrendered on conversion or exchange or liquidation, constitute all the outstanding shares of Class "A" stock, the

Government's Exhibit No. 269

January [illegible], 1931

BOARD OF DIRECTORS
GENERAL MOTORS SECURITIES COMPANY

FROM: TREASURER

REORGANIZATION OF GENERAL MOTORS SECURITIES COMPANY

On December 26th and 29th, 1930, respectively, the stockholders of General Motors Securities Company and Managers Securities Company approved a plan which involved a reorganization of General Motors Securities Company and acquisition by the latter company of substantially all of the assets of Managers Securities Company. The plan had previously been approved by your Board and by the Finance Committee of du Pont Company.

Accordingly, on December 29, 1930, Managers Securities Company surrendered 148,509 shares of General Motors Securities Company common stock and 290,310 shares of General Motors Corporation common stock and received in exchange 4,509,060 shares of General Motors Securities Company newly created Class "A" stock. Managers Securities Company immediately dissolved and directed that said 4,509,060 Class "A" shares be reissued in the names of its stockholders.

General Motors Securities Company, upon reorganization, set aside as belonging to Class "A" shares, 4,509,060 shares of General Motors Corporation common stock, as follows:

Shares	Cost per share on books of G.M. Sec. Co.	Classified as
4,106,250	$ 5.49 +	Main Account
112,500	11.18 +	Nobel Purchase
239,800	39.89 +	Managers 1929 Purchase
50,510	59.29 +	Managers 1926 Purchase

and also set aside for the benefit of said Class "A" shares, 30% of its Earned Surplus.

When transferring General Motors Corporation stock in exchange for Class "A" stock, each Class "A" stockholder shall be issued a proportionate share of each of the four blocks of General Motors Corporation stock as set forth above.

It is the opinion of the Legal Departments of du Pont Company and General Motors Corporation that no gain or loss for income tax purposes will be realized by any of the parties involved on account of reorganization and/or liquidation, and reasonable assurance on this important point has also been obtained from the Internal Revenue Department. However, as a safeguard to the interests of General

3636 [illegible] Securities Company there is obtained from each Managers Securities stockholder receiving Class "A" stock, a properly executed indemnity agreement indemnifying General Motors Securities Company against Federal Tax and/or other expense in connection with reorganization. At this date eleven stockholders have failed to execut such an agreement, and delivery of their stock has not been made. However, we are assured by Managers Securities Company that these agreements will be executed, at which time stock will be delivered.

In addition, there is obtained from each stockholder electing to receive General Motors Corporation common stock in exchange for Class "A" stock, a properly executed indemnity agreement indemnifying General Motors Securities Company in connection with liquidation. As collateral against such indemnification, 20% of the Class "A" shares issued to each stockholder, the aggregate of which shall at all times represent 901,812 shares, are not exchangeable for General Motors Corporation stock until after January 1, 1934, by which time it is felt that the tax points involved will be definitely disposed of.

As of December 31, 1930, there had been 724,129 shares of Class "A" stock exchanged for a like number of shares of General Motors Corporation stock, or 20.1% of Class "A" shares eligible for exchange prior to January 1, 1934. There has since been 16,181 shares exchanged, making a total of 740,310 shares exchanged, or 20.5% of the eligible.

Appropriate accounts have been opened on the books of General Motors Securities Company to cover income and expense applicable to Class "A" assets, and procedure established to insure a proper distribution of all income and expenses of the company between common stock and Class "A" stock.

Attached is Balance Sheet of General Motors Securities Company as of December 31, 1930.

A. B. ECHOLS, TREASURER

ABK:A

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GENERAL MOTORS SECURITIES COMPANY

STATEMENT OF ASSETS AND LIABILITIES

December 31, 1930

(After exchange of 724,129 Class "A" Shares)

ASSETS

Cash		$27 538.87
Common Stock Asset Account: 9,843,750 shares General Motors Corporation Common Stock		55 589 114.29
Class "A" Asset Account: 3,784,931 shares General Motors Corporation Common Stock		30 554 379.50
TOTAL ASSETS		$86 171 032.66

LIABILITIES

Common Stock Liability Account:			
Capital Stock (346,521 shs.)		$34 652 100.00	
Surplus-Paid In		20 937 014.29	
Surplus-Earned		19 942.46	$55 609 056.75
Class "A" Liability Account:			
Accounts Payable		$ 2 396.23	
Capital Stock:		3 784 931.00	
Issued	4,509,060 shs.		
In Treasury	724,129 "		
Outstanding	3,784,931 "		
Surplus-Paid In		26 769 448.50	
Surplus-Earned		5 200.18	30 561 975.91
TOTAL LIABILITIES			$86 171 032.66

NOTE: "36" is written at upper right corner of first page. "gmc-1024" is written at lower right corner of second page. "gmc-1024a" is written at lower right corner of third page.

Government's Exhibit No. 270

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February 12, 1932

TO: BOARD OF DIRECTORS
GENERAL MOTORS SECURITIES COMPANY

FROM: TREASURER

The following is the status of the Class "A" stock of this Company, 80% of which is exchangeable for General Motors Corporation common stock prior to January 1, 1934:

		Shares	$
Total Original Issue		4,509,060	100
Shares exchanged per report of November 13, 1931 -	1,044,352		
Shares exchanged since last report -			
Prescott Walker & Co.	1,062		
Albert Bradley, Trustee, u/i dtd. 1/5/27 and 12/22/27	1,846		
Gordon Lefebvre	3,000		
Chester A. Souther	3,000		
Samuel H. Cook	6,000		
Clarence M. Day	1,000		
Ernest W. Seaholm	5,000		
Clarence M. Day	100		
" " "	100		
" " "	100		
" " "	100		
" " "	1,000		
" " "	1,000		
Total Shares Exchanged		1,067,660	23.68
Total shares outstanding February 12, 1932		3,441,400	76.32

For your information, there is given herewith a complete list of

Clarence M. Day	1,000
Ernest W. Seaholm	5,000
Clarence M. Day	100
" " "	100
" " "	100
" " "	100
" " "	1,000
" " "	1,000
Total Shares Exchanged	1,067,660 / 23.68
Total shares outstanding February 12, 1932	3,441,400 / 76.32

For your information, there is given herewith a complete list of stockholders who have availed themselves of the exchange privilege and their number of shares exchanged:

	No. Shares Exchanged
Elmer G. Biechler	13,082
Albert Bradley, Trustee u/i dated 1/5/27 and 12/22/27	3,845
Ernest R. Breech	694,846
Broseco Corporation	90,000
Louise N. Cook	1,108
Samuel H. Cook	7,120
Curtis C. Cooper	10,000
M. E. Coyle	7,500
Clarence M. Day	8,400
Albert L. Doane	12,545
Enos A. De Waters	15,000
First National Bank & Trust Co., at Flint, as Trustee under agreement dated Dec. 17, 1930 with George G. Allen	5,382
General Motors Securities Company	39
Richard R.H. Grant, Trustee, under a trust agreement dated February 11, 1929	5,000
Ralph S. Lane	36
Gordon Lefebvre	6,000
James McEvoy	5,545

Board of Directors shall have power, by the Certificate so filed and recorded, to amend the Certificate of Incorporation, so as to eliminate all reference to the shares so redeemed or purchased or surrendered or liquidated and on the filing and recording of such certificate the Certificate of Incorporation shall be deemed to be amended accordingly.

E-4 - "Nothing herein contained shall in any way affect the rights of the Corporation to redeem or purchase any of its shares from surplus and to hold such shares or to resell them for such consideration as shall be fixed from time to time by the Board of Directors.

F - "Each holder of the Common Stock shall be entitled to one (1) vote, and each holder of the Class "A" Stock shall be entitled to one one-hundredth (1/100) of a vote in person or by proxy for each share of the capital stock held by such holder respectively, except that at an election of Directors of the Corporation the holders of shares of Class "A" stock shall be entitled as a class to elect two (2) Directors.

G - "The holders of each class of stock, as a class, shall be entitled, to the exclusion of any other class, as such holders, in proportion to their respective holdings and under such reasonable regulations as to period or otherwise as the Board of Directors may determine, to purchase or subscribe for any stock of their respective classes, or any warrant or warrants, option or options, or other instrument or instruments that shall confer upon the holder or holders thereof the right to subscribe for or purchase or receive from the Corporation any stock of such class which the Corporation may issue or sell for cash.

H - "From time to time the Common Stock and Class "A" Stock may be issued in such proportions and for such considerations as shall be determined by the Board of Directors and as may be permitted by law.

I - "The amount of capital stock with which this Corporation shall commence business is One Thousand Dollars ($1,000.00)."

FURTHER RESOLVED, that a meeting of the stockholders of this Corporation be called to be held at the principal office of the Corporation, No. 7 West Tenth Street, in the City of Wilmington, Delaware, at 10 o'clock A. M., on the 22nd day of December, 1930, for the following purposes:-

(a) To consider authorization of the performance of the acts undertaken in the aforesaid agreement of reorganization between this Company and Managers Securities Company;

(b) To take action upon the adoption of the proposed amendment to the Certificate of Incorporation of this Company;

FURTHER RESOLVED, that upon the ratification of said agreement and the authorization of said amendment to the Certificate of Incorporation by the stockholders of this Corporation and the filing and recording thereof, the proper officers of this Corporation be and they hereby are authorized and directed to issue 4,509,060 shares of such Class "A" Stock of this Corporation in exchange for the assets of Managers Securities Company, as aforesaid, and to do all acts and things which may be necessary and proper to carry into effect the plan of reorganization aforesaid;

FURTHER RESOLVED, that the assets of Managers Securities Company proposed to be acquired as aforesaid by the issuance of proposed Class "A" shares of this Corporation shall be deemed to be of a value at least equivalent to the aggregate par value of the Class "A" shares hereby authorized to be issued, and upon acquisition of said assets as aforesaid an amount of $4,509,060.00 shall be capital, and any excess of such consideration so received represented by said assets as aforesaid shall be surplus;

FURTHER RESOLVED, that upon surrender in accordance with provisions of Certificate of Incorporation by any Class "A" stockholder of the Corporation of shares of the Class "A" Stock in exchange for his pro rata share of the Class "A" net assets, the proper officers of this Corporation be and they hereby are authorized and directed to assign, transfer and deliver to such Class "A" holder his pro rata share of cash and/or common stock of General Motors Corporation.

There being no further business to come before the Board, upon motion, the meeting was adjourned.

W D Fisher
Assistant Secretary.

AW

Note: Stamp at upper right corner of first and fifth pages reads "10AJW".

Lynn McNaughton	24,000
J. D. Mooney	30,000
George [illegible]. Moore	3,000
Prescott-Walter & Co.	5,307
I. J. Reuter	54,108
L. M. [illegible]ly	3,000
Florence F. Schumann	10,000
John J. Schumann, Jr.	14,429
Ernest W. Seaholm	5,536
Livingston L. Short	7,636
Chester A. Souther	8,000
D. [illegible]. Speidel	12,545
A. R. Strickland	500
Frank Turner	1,923
E. W. Webb	2,228
Total	1,067,660

[illegible]

A. [illegible]

NOTE: Stamp at top center of first page bears date "FEB 12 1932"; to the left of the initials, "M.D.F.", is written, "2"—to the right, "8". At upper right is stamped, "GENERAL MOTORS SECURITIES CO. Secy's No.————"; written above the line is "50". The initials "JSD" are written beneath the reference initials on page 2.

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Government's Exhibit No. 273

January 4th 1939

To: Finance Committee

From: Treasurer

LIQUIDATION OF GENERAL MOTORS SECURITIES COMPANY

At meeting of your Committee on December 19th, 1938, the proposed Plan of Complete Liquidation of General Motors Securities Company, in the form presented in report from Treasurer December 14th, 1938, was approved. Pursuant to recommendation by your Committee, appropriate resolutions approving and adopting the plan and authorizing appropriate officers of the Company to do any and all acts necessary to carry out the plan were adopted by Board of Directors at meeting December 19th, 1938.

The Bureau of Internal Revenue issued its ruling approving the plan as tax-free to General Motors Securities Company and to its stockholders, and, pursuant thereto, executed closing agreements with General Motors Securities Company, with E. I. duPont de Nemours & Company and with a number of Class "A" Stockholders of General Motors Securities Company; these agreements were approved by Acting Secretary of the Treasury.

On December 29th, 1938, the stockholders of General Motors Securities Company voted in favor of the plan and thereupon the several successive steps contemplated therein were taken in their proper order.

Just prior to liquidation, General Motors Securities Com-

pany owned 11,682,761 shares of General Motors Corporation common stock, as follows:

9 843 750 shares underlying the common stock of General Motors Securities Company (all owned by duPont)

1 839 011 shares underlying the Class "A" stock of General Motors Securities Company (held by individuals, corporate entities, etc.)

The liquidation of General Motors Securities Company has had the following effects:

1. DuPont now owns directly 10,000,000 shares of the common stock of General Motors Corporation; before the liquidation duPont owned directly 156,250 shares and owned 9,843,750 shares indirectly, through ownership of all the common stock of General Motors Securities Company.

2. At liquidation, ~~G M Shares~~, Inc. became the owner of 1,839,011 shares of the common stock of General Motors Corporation.

3. DuPont's vote as a holder of common stock of General Motors Corporation is now 22.99% instead of the 26.86% effective just prior to liquidation of General Motors Securities Company when DuPont, through its ownership of all of the common stock of that company, controlled the vote of the 11,682,761

shares of common stock of General Motors Corporation owned by General Motors Securities Company.

4. After 1938, duplication of tax on dividends from 9,843,750 shares of common stock of General Motors Corporation will cease because these dividends will be paid directly to DuPont instead of through the intermediate General Motors Securities Company.

J. B. ELIASON
J. B. Eliason

NOTE: "Finance Committee Secy's No. 8" and "Received M.D.F. Jan. 5—1939" (with "2" inserted by hand in front, and "8" inserted by hand after, the initials) are stamped at the top of the first page.

"MDF" is written at the top of the first page, and "Return to Executive Committee Room 9069" is stamped at the bottom of the first page.

Illegible initials appear in the left margin at the end of the second page.

"gmc-874" is written at the bottom of each page.

Italics indicate handwriting.

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36543

Government's Exhibit No. 274

Department of the Treasury

Bureau of Internal Revenue

PROPOSED COMPLETE LIQUIDATION

of

GENERAL MOTORS SECURITIES COMPANY

Application for Ruling and Closing Agreements

TABLE OF CONTENTS

September 28, 1938

Honorable Guy T. Helvering,
Commissioner of Internal Revenue,
Bureau of Internal Revenue,
Washington, D. C.

Sir:

Request is herewith made for a ruling with respect to a proposed complete liquidation of General Motors Securities Company and for closing agreements under section 606 of the Revenue Act of 1928, as amended by sections 801 and 802 of the Revenue Act of 1938.

This request is made on behalf of General Motors Securities Company; E. I. duPont de Nemours and Company, holder of all the common stock of Securities Company; the holders of a substantial majority of the Class A stock of Securities Company; General Motors Management Corporation; and the holders of a substantial majority of its stock.

I—Facts

The facts with respect to the proposed complete liquidation are as follows:

(1) General Motors Securities Company (hereinafter referred to as "Securities") was organized under the laws of Delaware in 1918. From 1918 to 1923, all its outstanding stock was owned by E. I. duPont de Nemours and Company (hereinafter referred to as "duPont").

(2) In 1923, Managers Securities Company (hereinafter referred to as "Managers") was organized under the laws of Delaware as a medium for the investment in stock of General Motors by its executives. Substantially all the stock of Managers (other than its preferred stock) was acquired by these executives.

Managers effected its investment in General Motors through the acquisition of 148,509 shares of common stock of Securities—the sole asset of which (except for necessary cash) was at that time, and has since continued to be, common stock of General Motors. At the time of this acquisition by Managers, duPont owned 346,521 shares of the common stock of Securities. After this acquisition by Managers, therefore, the total outstanding stock of Securities amounted to 495,030 shares of common stock, 70% of which was owned by duPont and 30% by Managers.

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(3) On December 29, 1930, a reorganization of Managers and Securities was effected under a plan which provided for the transfer to Securities of substantially all the assets of Managers, consisting of the 148,509 shares of Securities common stock and 290,310 shares of General Motors common stock, in exchange for 4,509,060 shares (the entire authorized issue) of a newly created Securities Class A stock of a par value of $1 a share and with 1/100th of a vote per share (with the right to elect two directors, of the present number of thirteen). The stockholders of Managers exchanged their Managers stock for the Class A stock of Securities in accordance with the plan. Managers was thereupon dissolved and a certificate of dissolution was issued on December 30, 1930.

(4) The charter of Securities was duly amended, in accordance with the reorganization plan, to provide for a separate Class A asset account which was set up on the books of Securities and to which were allocated 4,509,060 shares of General Motors stock, or one share for each share of Securities Class A stock. A separate surplus account was likewise provided for and set up to be credited with all income, rights and profits received in connection with the assets in the Class A account and to be debited with a reasonable share of the general expenses of Securities and all taxes and expenses resulting from the creation and disposition of the Class A stock and the holding of the assets in the Class A account. The Class A surplus and asset accounts represent the exclusive source of dividends and other benefits payable or accruable on the Class A stock, while the common stock in Securities is excluded from any interest therein.

(5) The charter of Securities was further amended to provide, in accordance with the plan, that in the event of a liquidation of Securities the Class A shareholders would be entitled to receive one share of General Motors stock for each share of Class A stock with proper adjustments for any future rights or liabilities applicable thereto. In addition, the Class A stockholders were given the right (subject to certain limitations which are not now in effect) to have any part of their stock redeemed, either in kind or, at the option of the Company, in cash at the quoted market value of General Motors stock at the time of redemption, with adjustment for any accrued rights or liabilities.

(6) The plan of reorganization of Securities and Managers was submitted to the office of the Commissioner of Internal Revenue on November 24, 1930. It was held that the acquisition by Managers, in exchange for its assets, of the Class A stock of Securities constituted a tax-free reorganization within the meaning of section 112(i) of the Revenue Act of 1928, and that the exchanges pursuant to that reorganization were tax-free under section 112(b) (3) and (4) of that Act. (See letter of J. C. Wilmer, Deputy Commissioner of Internal Revenue, to General Motors Corporation, Detroit, Michigan, dated

November 28, 1930, symbols IT:E:RR:HMcG, a copy of which is attached hereto, for convenience, as Exhibit I.)

(7) On the completion of the reorganization in 1930, Securities had outstanding 346,521 shares of common stock and 4,509,060 shares of Class A stock. Between the date of the reorganization in 1930 and August 31, 1938, the holders of 2,637,099 shares of Class A stock elected to have their shares redeemed for the same number of shares of General Motors stock. Of this number redeemed, 2,622,958 shares have been retired by amendment of the charter of Securities, and 14,141 shares are held awaiting retirement by means of a charter amendment which, in ordinary course, will be made in October, 1938.

(8) A balance sheet of Securities as of August 31, 1938, is attached hereto as Exhibit II.

(9) The outstanding shares of Class A stock of Securities are owned by various individuals and corporations. duPont owns all the outstanding common stock of Securities but none of the Class A stock. Since the Class A stock has only 1/100th of a vote per share, while the common stock has one vote per share, duPont is the owner of shares possessing approximately 95% of the voting power of all classes of stock entitled to vote. There is no other class of stock.

(10) In addition to the 9,843,750 shares of General Motors stock in Securities attributable to duPont, duPont owns directly 156,250 shares of General Motors stock—thus bringing duPont's investment in General Motors, both direct and indirect, to 10,000,000 shares.

(11) From 1923 to the present time, Securities has distributed currently all its earnings, which have consisted solely of dividends received by it upon its General Motors stock.

(12) In 1930, General Motors Management Corporation (hereinafter referred to as "Management") was organized by General Motors under the laws of Delaware to serve as a medium for the further investment in the shares of General Motors by its executives. All the stock of Management other than that retained by General Motors was acquired by its executives. The principal asset of Management is common stock of General Motors. At present, there are outstanding, in addition to the common stock, two special classes of stock, Class A and Class B. These two classes of stock represent (as in the case of the Class A stock of Securities) segregated holdings of General Motors stock.

(13) A balance sheet of Management, as of August 31, 1938, is attached hereto as Exhibit III.

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II—Summary of Facts

The foregoing facts may be summarized realistically as follows

(1) duPont owns 10,000,000 shares of General Motors stock—9,843,750 indirectly through Securities; and 156,250 directly.

(2) The Class A stockholders of Securities have an interest in over 2,000,000 shares of General Motors stock, now diffused partly in the segregated Class A assets of Securities and partly in Management.

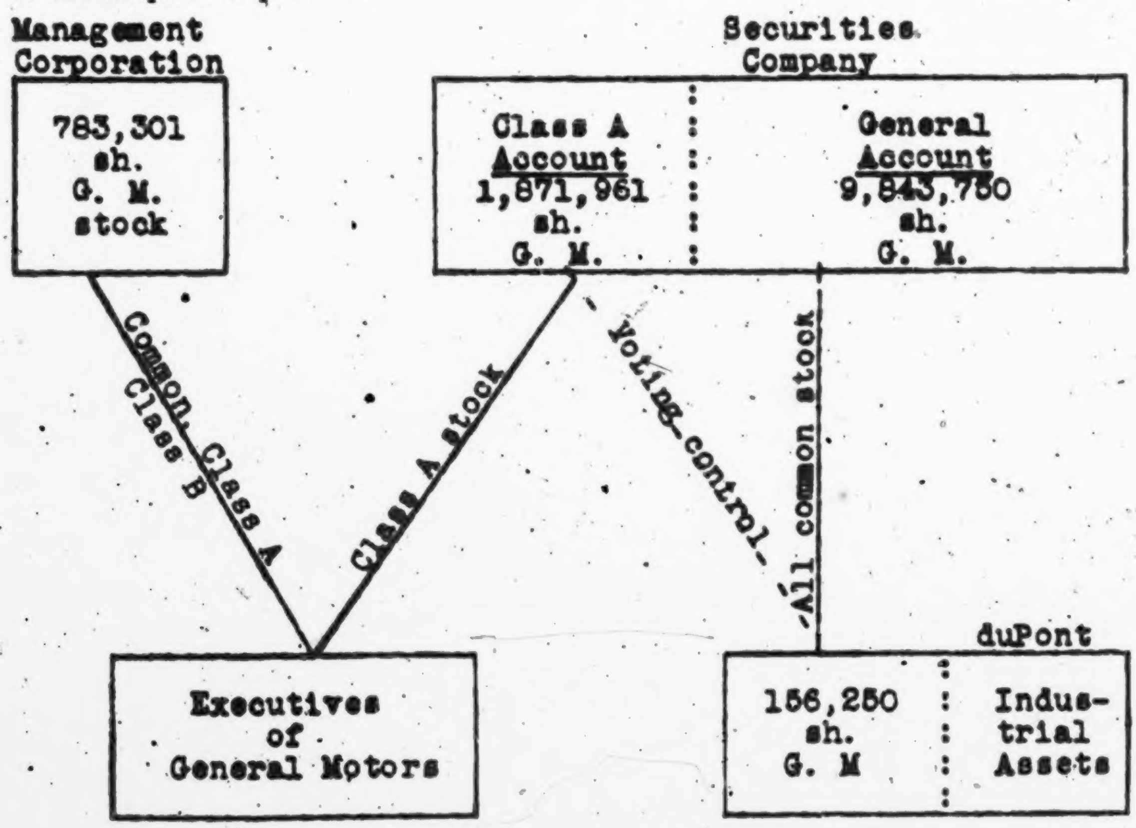
(3) duPont has voting control of 11,871,961 shares of General Motors (although it owns, directly and indirectly, but 10,000,000 shares) since the Class A stockholders of Securities have but a five per cent voting interest.

(4) The interests of the Class A stockholders of Securities as executives of General Motors are more nearly identified with the interests of the Management stockholders than with the interests of duPont.

(5) Securities pays a substantial intercorporate dividend tax upon the dividends it receives upon its General Motors stock; and duPont pays a second intercorporate dividend tax upon the same dividends when received from Securities.

(6) There is no business necessity for the continued existence of Securities.

The following chart gives graphically the approximate present interests of the respective parties:



III—Purposes of Proposed Liquidation

Sound business judgment demands that:

(1) duPont's investment in General Motors should be consolidated.

(2) The investment of the Class A stockholders in General Motors through Securities should be consolidated with their investment in General Motors through Management.

(3) duPont should manage and control directly its entire interest in General Motors, and should have no management or control of the interests of the Class A stockholders.

(4) Double taxation of the dividends on the duPont investment held by Securities should be eliminated.

(5) Finally, existing corporate structures should be simplified.

The following Plan will accomplish all the above purposes.

IV—The Plan

It is now proposed to completely liquidate Securities, as follows:

(1) A Plan of Complete Liquidation (a copy of which is attached hereto, as Exhibit IV), will be duly adopted and carried out.

(2) Pursuant to such Plan, all the property of Securities will be distributed concurrently by a liquidating distribution to duPont of the property attributable to the common stock and by the consolidation of Securities with Management pursuant to the General Corporation Law of the State of Delaware.

(3) Upon such distribution of all the property of Securities, both the common stock and the Class A stock of Securities will be completely cancelled and redeemed and the Class A stockholders of Securities (as well as the stockholders of Management) will become stockholders of the new corporation resulting from such consolidation (hereinafter referred to as the "new corporation").

(4) Securities will thereupon be completely liquidated and will cease to exist pursuant to the General Corporation Law of the State of Delaware.

(5) Securities has no funded or floating debt. Prior to any distribution in complete liquidation, Securities will pay, so far as possible, all its current liabilities and will file its Federal income tax return for 1938 and pay the amount shown thereon as due. Other liabilities (if any) will, by operation of law, become the liabilities of the new corporation to the extent provided by Section 60 of the General Corporation Law of the State of Delaware.

(6) The liquidation will be completed, if possible, on or before December 31, 1938 (i. e., within the current taxable year of each of the corporations involved) and in any case on or before December 31, 1941.

(7) The Plan expressly provides that duPont must continue to own all the common stock of Securities until the completion of the transfer of all the property of Securities under the Plan and that no additional stock will be issued by Securities.

V—Taxpayers' Position

(1) Recognition of Gain or Loss

No gain or loss will be recognized under the Revenue Act of 1938 upon the proposed complete liquidation for the following reasons:

(a) *Securities Company and Management Corporation.*—Under corporate law, the statutory consolidation of Securities and Management will involve no sale or exchange of property by either corporation. The property of the two corporations will become vested in the new corporation by operation of law under the Delaware statute (sec. 60 of the General Corporation Law of the State of Delaware).

For income tax purposes, however, the transaction is treated as equivalent to a transfer of property by the consolidated corporations to the new corporation in exchange for stock of the new corporation. (See, for example, the illustration in Article 112(b)(6)-1 of Regulations 94 involving a parent-subsidiary merger.) Nevertheless, this constructive exchange of property for stock constitutes a tax-free exchange under sections 112(b)(4), 112(g)(1)(A) and 112(g)(2). The statutory consolidation constitutes a reorganization under section 112(g)(1)(A). Securities, Management, and the new corporation are all parties to the reorganization under section 112(g)(2) and Article 112(g)-2 of Regulations 94, as amended by T. D. 4759. Accordingly the constructive transfers of property by each of the consolidated corporations to the new corporation in exchange for the new corporation's stock constitutes, in each case, an exchange of property by a corporation a party to a reorganization, in pursuance of the plan of reorganization, solely for stock in another corporation a party to the reorganization under section 112(b)(4).

The distribution of property by Securities to duPont in complete cancellation of the common stock of Securities owned by duPont and the constructive distribution by Securities of the stock of the new corporation to the Class A stockholders in complete cancellation of their Class A stock (and by Management to its stockholders) constitute distributions in liquidation resulting in no realization of gain or loss by Securities or Management under Article 22(a)-21 of Regulations 94.

(b) *Class A stockholders of Securities Company and stockholders of Management Corporation.*—The receipt of the stock of the new corporation by the Class A stockholders of Securities and the stockholders of Management in exchange for their stock in Securities and Management, respectively, constitute tax-free exchanges under section 112(b)(3). In each case, stock in a

corporation a party to a reorganization is exchanged, in pursuance of a plan of reorganization, solely for stock in another corporation a party to the reorganization. The foregoing does not purport to apply to the stockholders who elect to demand payment for their stock under section 61 of the General Corporation Law of the State of Delaware.

(c) *duPont.*—The receipt of the property by duPont from Securities constitutes a tax-free distribution in complete liquidation of Securities under section 112(b)(6)—

(i) Under the Plan of Complete Liquidation, duPont must continue to own all the common stock of Securities until the transfer of all the property of Securities under the Plan has been completed and no additional stock of Securities can be issued. Since the common stock possesses approximately 95 per centum of the total combined voting power of all classes of stock entitled to vote and there is no other class of Securities stock outstanding, duPont qualifies with respect to stock ownership under section 112(b)(6)(A) and Article 112(b)(6)-1(b) of Regulations 94 and will continue to qualify until the liquidation has been completed.

(ii) The requirements of section 112(b)(6)(B) are met, since no distribution under the liquidation will have been made before the first day of the first taxable year of Securities beginning after December 31, 1935.

(iii) The requirements of section 112(b)(6)(C) are met, since the distribution by Securities (including the constructive distribution of the stock of the new corporation to the Class A stockholders) is in complete cancellation of all its stock, and the transfer of all the property occurs within the taxable year in which the Plan is adopted. Otherwise there will be compliance with section 112(b)(6)(D).

(iv) In accordance with Article 112(b)(6)-1(b) of Regulations 94, a status of liquidation exists in respect of Securities at the time the first distribution is made under the Plan—and such status will continue until Securities ceases to exist under the General Corporation Law of the State of Delaware—and Securities is finally divested of all its property (both tangible and intangible).

(v) There is full compliance not only with the literal requirements of section 112(b)(6) and Article 112(b)(6) of Regulations 94, but also with the underlying purposes of the section—i. e., simplification of corporate structures. (See statement of Senator George on behalf of the Senate Finance Committee, Vol. 80, Cong. Rec. 8799, and statement by Chairman Doughton, Vol. 80, Cong. Rec. 10270.

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(2) Basis

The property and securities transferred and exchanged pursuant to the Plan will have the following bases in the hands of the recipients:

(a) *The new corporation.*—The property acquired by the new corporation from Securities and Management pursuant to the consolidation will have the same basis as such property had in the hands of the predecessor corporations (Sec. 113(a)(7)).

(b) *Class A stockholders of Securities and stockholders of Management.*—The stock of the new corporation received by the Class A stockholders of Securities and the stockholders of Management will have the same basis in their hands as the Class A stock of Securities and the stock of Management which they will surrender therefor (Sec. 113(a)(6)).

(c) *duPont.*—The property acquired by duPont from Securities will have the same basis in the hands of duPont as that property has in the hands of Securities (Sec. 113(a)(15)).

VI—Requested Ruling and Closing Agreements

A ruling, and closing agreements in accordance therewith, are respectfully requested to the effect that—

(1) No recognition of gain or loss will result to any of the parties (named in V, above) involved in the liquidation or reorganization incident thereto; and

(2) The bases of the property and securities transferred or exchanged will be as set forth in V, above.

Respectfully submitted,

Paul E. Shorb,

Ellsworth C. Alvord.

Of Counsel:

Covington, Burling, Rublee,
Acheson & Shorb,
Union Trust Building,
Washington, D. C.

Alvord & Alvord,
Munsey Building,
Washington, D. C.

Exhibit I

(Copy)

TREASURY DEPARTMENT

WASHINGTON

November 28, 1930.

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE
IT:E:RR
HMcG

GENERAL MOTORS CORPORATION,
Detroit, Michigan.
Attention: John T. Smith, General Counsel.

SIRS:

Reference is made to your letter of November 24, 1930, in which you request information concerning the effect, for income tax purposes, of a certain plan of reorganization involving the General Motors Securities Company and the Managers Securities Company.

From the information furnished it appears that the Managers Securities Company was organized in 1923 under the laws of Delaware for the purpose of dealing in securities, and that about the time of its organization it entered into a contract with your corporation by which it was entitled to receive for the period of eight years a considerable sum of money annually. At the time of its organization such company purchased a large amount of General Motors Securities Company stock. This latter company was a holding corporation organized under the laws of the State of Delaware and owned a large block of General Motors Corporation common stock. From time to time, it is stated, the Managers Securities Company has purchased and sold General Motors common stock and at the present time its assets consist of shares of General Motors Corporation common stock, shares of General Motors Securities Company stock and cash. It has no liabilities.

Under the reorganization plan in question the General Motors Securities Company stock will comprise two classes, designated as Class X and Class Y stock. The fundamental difference between these two classes will be that each share of Class Y stock will have as an asset behind it one share of General Motors Corporation stock; and upon liquidation, retirement or redemption will be limited to its interest therein. The General Motors Securities Company will then acquire all of the assets of the Managers Securities Company in exchange for the Class Y stock of the General Motors Securities Company. The stock of General Motors Securities Company so acquired by the Managers Securities Company will then be distributed to the stockholders of Managers Securities

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Company which will be liquidated. It is further stated that the General Motors Securities Company will subsequently offer to retire the whole or any part of its Class Y stock by issuing in exchange therefor a corresponding amount of General Motors Corporation common stock represented thereby.

Upon consideration of the particular information furnished it is held that the transactions involving the reclassification of the stock of General Motors Securities Company, the acquisition by the Managers Securities Company (in exchange for its assets) of the Class Y stock of General Motors Securities Company, and the distribution to the stockholders of the Managers Securities Company of the General Motors Securities Company stock so acquired fall within the scope of Section 112(b) (3), (4) and (i) of the Revenue Act of 1928, concerning exchanges in connection with corporate reorganizations. You are advised generally, therefore, that in the transactions up to and including the distribution by the Managers Securities Company of the General Motors Securities Company stock to its stockholders, no gain or loss will be recognized for income tax purposes; nor will General Motors Securities Company realize any gain or loss upon distribution of its assets in kind in partial or complete liquidation of its stock.

The exchange by the former stockholders of the Managers Securities Company of the General Motors Securities Company stock for common stock of the General Motors Corporation will, of course, result in a gain or loss for income tax purposes, measured by the difference between the basis of the General Motors Securities Company stock in the hands of the former stockholders of the Managers Securities Company and the fair market value of the General Motors Corporation common stock as of the date of the exchange.

Respectfully,

J. C. WILMER
Deputy Commissioner.

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Exhibit II

GENERAL MOTORS SECURITIES COMPANY

BALANCE SHEET—AUGUST 31, 1938

ASSETS		Applicable To: Common Stock	Applicable To: Class "A" Stock	Total
Cash		554,894.53	106,727.79	661,622.32
Dividend receivable from General Motors Corporation—declared August 1, 1938, payable September 12, 1938 to stockholders of record August 11, 1938		2,460,937.50	468,490.25	2,929,427.75
Investment stocks				
9,843,750 shares General Motors Corporation common stock		55,589,114.29	....	55,589,114.29
1,871,961 shares General Motors Corporation common stock		....	15,119,134.87	15,119,134.87
TOTAL ASSETS		58,604,946.32	15,694,352.91	74,299,299.23
LIABILITIES				
Federal Income Tax—1937		414,729.90	81,418.02	496,147.92
Reserve for Federal Income Tax—1938		187,405.74	35,857.50	223,263.24
Dividend payable—declared August 15, 1938, payable September 13, 1938 to stockholders of record August 16, 1938		2,397,925.32	454,435.62	2,852,360.94
Capital Stock				36,524,061.00
Common	346,521 shares	34,652,100.00		
Class "A"—				
Issued	1,886,102 "			
In Treasury awaiting cancellation	14,141 "			
Issued and Outstanding	1,871,961 "		1,871,961.00	
Surplus—Paid-in		20,937,014.29	13,247,173.87	34,184,188.16
Surplus—Earned		15,771.07	3,506.90	19,277.97
TOTAL LIABILITIES		58,604,946.32	15,694,352.91	74,299,299.23

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Exhibit III

GENERAL MOTORS MANAGEMENT CORPORATION

BALANCE SHEET—AUGUST 31, 1938

ASSETS

Cash	$ 93,972.46
Notes of the General Motors Acceptance Corporation	$ 657,605.70
Investments in General Motors Common Stock:	
Allocated to Class A Stock (52,061 shares at average cost of $40.58 per share)	$ 2,112,741.96
Allocated to Class B Stock (287,609 shares at cost of $40.00 per share)	11,504,360.00
Unallocated (444,602 shares at cost of $40.00 per share)	17,784,080.00
TOTAL INVESTMENTS IN GENERAL MOTORS COMMON STOCK	$31,401,181.96
TOTAL ASSETS	$32,152,760.12

LIABILITIES

Federal income taxes	$ 555,457.92
Class A Stock—Authorized, 64,667 shares of $10 par value; 12,606 shares held for cancellation; issued and outstanding, 52,061 shares at an average of $40.58 per share	$ 2,112,741.96
Class A Surplus	2,295.03
TOTAL CLASS A STOCK AND SURPLUS	$ 2,115,036.99
Class B Stock—Authorized, 315,204 shares of $10 par value; 27,595 shares held for cancellation; issued and outstanding, 287,609 shares at $40 per share	$11,504,360.00
Class B Surplus	13,830.63
TOTAL CLASS B STOCK AND SURPLUS	$11,518,190.63
Common Stock—Authorized and outstanding, 50,000 shares of $10 par value	$ 500,000.00
Paid-in Surplus	4,500,000.00
General Surplus	12,964,074.58
TOTAL COMMON STOCK AND SURPLUS	$17,964,074.58
TOTAL LIABILITIES	$32,152,760.12

NOTE: At August 31, 1938, 147,160 shares of General Motors Corporation Common Stock had been loaned to General Motors Corporation.

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Exhibit IV

PLAN OF COMPLETE LIQUIDATION OF GENERAL MOTORS SECURITIES COMPANY

I. Complete Liquidation

General Motors Securities Corporation (hereinafter referred to as "Securities") shall proceed in good faith and without delay, in accordance with the General Corporation Law of the State of Delaware and in accordance with this Plan of Complete Liquidation, to effect a distribution of all its assets in complete liquidation and in complete cancellation and redemption of all its stock.

II. Method of Liquidation

The complete liquidation of Securities shall be effected in the following manner:

(1) All the property of Securities shall be distributed concurrently by a liquidating distribution of all the property attributable to the common stock to E. I. duPont de Nemours and Company (hereinafter referred to as "duPont"), the owner of all the outstanding common stock; and by the consolidation of Securities with General Motors Management Corporation (hereinafter called "Management") into a new corporation, pursuant to the General Corporation Law of the State of Delaware. (A copy of the Agreement of Consolidation is attached hereto and made a part of this Plan.)

(2) Upon such distribution of all the property of Securities, both the common stock and Class A stock of Securities shall be completely cancelled and redeemed and the Class A stockholders of Securities (as well as the stockholders of Management) shall, in accordance with the Agreement of Consolidation, become stockholders of the new corporation.

(3) Securities shall thereupon be completely liquidated and cease to exist pursuant to the General Corporation Law of the State of Delaware.

(4) The distribution of the assets under this Plan shall be made in kind insofar as possible.

(5) The liquidation shall be completed, if possible, on or before December 31, 1938, and in any case on or before December 31, 1941.

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III. Compliance with Revenue Act of 1938

The liquidation shall be carried out and completed in such a manner as to comply in all respects with section 112(b)(6) of the Revenue Act of 1938. To this end—

(1) Upon the adoption of the Plan, Securities shall have the status of a corporation in liquidation, which status shall continue to exist until Securities ceases to exist in accordance with this Plan;

(2) No distribution under the liquidation will have been made before the adoption of this Plan;

(3) duPont, the owner of all the common stock and possessing approximately 95 per cent of the voting power of all classes of stock entitled to vote, shall continue to own all such common stock until the completion of the transfer of all the property of Securities under this Plan. There are no other classes of stock and no additional stock shall be issued by Securities. Accordingly, at no time during the period of liquidation will duPont be the owner of a greater percentage of stock of Securities of any class than the percentage which it will own at the time of the transfer of all the property.

IV. Effective Date of Plan

This Plan shall be submitted to the stockholders of Securities promptly after the stockholders of Management have considered and acted favorably upon the consolidation of Management and Securities provided for in this Plan. This Plan shall become effective and be deemed to be adopted when, and only when, it has been approved by the Board of Directors of duPont and by vote of at least two-thirds of the total number of shares of the capital stock of Securities, at meetings duly called for such purpose and held in accordance with law.

Dated ....

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AGREEMENT OF CONSOLIDATION

AGREEMENT OF CONSOLIDATION, entered into as of October , 1938, between GENERAL MOTORS SECURITIES COMPANY, a corporation organized and existing under an Act of the Legislature of the State of Delaware entitled "An Act Providing a General Corporation Law" (approved March 10, 1899), and the Acts amendatory thereof and supplemental thereto, having its principal and registered office in Delaware at No. 100 West 10th Street, City of Wilmington, County of New Castle, and the directors thereof, parties of the first part; and, GENERAL MOTORS MANAGEMENT CORPORATION, a corporation organized and existing under said Act of the State of Delaware, as amended and supplemented, having its principal and registered office in Delaware at No. 100 West 10th Street, City of Wilmington, County of New Castle, and the directors thereof, parties of the second part;

WHEREAS, General Motors Securities Company, under its Certificate of Incorporation filed in the office of the Secretary of the State of Delaware, on the 4th day of January, 1918, and recorded in the office of the Clerk of the County of New Castle, on the .... day of January, 1918, has, in accordance with said Certificate as since amended, an authorized capital stock of Two Million Two Hundred Thirty-seven Thousand Five Hundred Ninety-Three (2,237,593) shares, divided into Three Hundred Fifty-One Thousand Four Hundred Ninety-One (351,491) shares of common stock of the par value of One Hundred Dollars ($100) per share, amounting in the aggregate to Thirty-Five Million One Hundred Forty-Nine Thousand One Hundred Dollars ($35,149,100) (all of which will be retired and completely cancelled and redeemed simultaneously with the filing of this Agreement of Consolidation), and One Million Eight Hundred Eighty-Six Thousand One Hundred Two (1,886,102) shares of Class "A" stock of the par value of One Dollar ($1) per share, amounting in the aggregate to One Million Eight Hundred Eighty-Six Thousand One Hundred Two Dollars ($1,886,102); of which .... (..........) shares of said Class "A" stock amounting in the aggregate to .... Dollars ($..........) are outstanding and .... (..............) shares amounting to .... Dollars ($..............) are held for retirement, all of which shares of common stock and Class "A" stock are full paid and non-assessable; and

WHEREAS, General Motors Management Corporation, under its Certificate of Incorporation filed and recorded in the office of the Secretary of the State of Delaware on the 2nd day of April, 1930, and recorded in the office of the

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Clerk of the County of New Castle, on the .... day of April, 1930, has an authorized capital stock of Four Million Two Hundred Ninety-Eight Thousand Seven Hundred Ten Dollars ($4,298,710), divided into Fifty Thousand (50,000) shares of common stock of the par value of Ten Dollars ($10) per share, amounting in the aggregate to Five Hundred Thousand Dollars ($500,000), all of which is issued and outstanding; Three Hundred Fifteeen Thousand Two Hundred Four (315,204) shares of Class "B" stock of the par value of Ten Dollars ($10) per share, amounting in the aggregate to Three Million One Hundred Fifty-Two Thousand Forty Dollars ($3,152,040) of which Two Hundred Eighty-Four Thousand Six Hundred Fourteen (284,614) shares, amounting to Two Million Eight Hundred Forty-Six Thousand One Hundred Forty Dollars ($2,846,140), are issued and outstanding and Thirty Thousand Five Hundred Ninety (30,590) shares amounting to Three Hundred Five Thousand Nine Hundred Dollars ($305,900) are held for retirement, and Sixty-Four Thousand Six Hundred Sixty-Seven (64,667) shares of Class "A" stock of the par value of Ten Dollars ($10) per share, amounting in the aggregate to Six Hundred Forty-Six Thousand Six Hundred Seventy Dollars ($646,670), of which Fifty-One Thousand Five Hundred Fifty-Six (51,556) shares, amounting to Five Hundred Fifteen Thousand Five Hundred Sixty Dollars ($515,560) are issued and outstanding and Thirteen Thousand One Hundred Eleven (13,111) shares amounting to One Hundred Thirty-One Thousand One Hundred Ten Dollars ($131,110) are held for retirement, all of which shares of common, Class "B" and Class "A" stock are full paid and non-assessable; and

WHEREAS, the respective Boards of Directors of said corporations deem it advisable, and to the advantage and welfare of said corporations and each of them, and of their respective stockholders, to consolidate said corporations under and pursuant to the provisions of said Act of the State of Delaware, all Acts amendatory thereof and supplemental thereto, and all other legal powers and authority for that purpose conferred;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, provisions, covenants and grants herein contained, it is hereby agreed by and between the parties, that General Motors Securities Company and General Motors Management Corporation shall be and the same are hereby consolidated pursuant to and in accordance with the said authority of the State of Delaware, the terms and conditions thereof, and the mode of carrying the same into effect, being as follows:

ARTICLE I.

Upon the filing of this Agreement in the office of the Secretary of State of Delaware, General Motors Securities Company (hereinafter referred to as "Securities Company") and General Motors Management Corporation (hereinafter referred to as "Management Corporation") shall be consolidated into a

single corporation which shall be a new corporation formed by means of such consolidation. Upon such filing hereof, Securities Company and Management Corporation, their respective names, franchises and organizations shall cease and determine.

ARTICLE II.

The name of the new corporation formed by this consolidation (hereinafter referred to as the "Corporation") is GM. Shares, Inc

ARTICLE III.

The principal office in the State of Delaware is to be located at 100 West 10th Street, in the City of Wilmington, County of New Castle. The agent in charge thereof is The Corporation Trust Company, No. 100 West 10th Street, Wilmington, Delaware.

ARTICLE IV.

The nature of the business and the objects and purposes proposed to be transacted, promoted and carried on are to do any or all things herein mentioned, as fully and to the same extent as natural persons might or could do, and in any part of the world, viz:

1. To purchase, take, own, hold, deal in, mortgage or otherwise deal with and to lease, sell, exchange, transfer or in any manner whatever dispose of real property, wherever situated, whether within or without the State of Delaware.

2. To manufacture, produce, buy, hire, or otherwise acquire, use, sell, lease, license others to use, or otherwise deal in or dispose of goods, wares and merchandise and personal property of any and every class and description and whether situated within or without the State of Delaware.

3. To acquire by purchase, subscription, contract or otherwise, and to hold for investment or otherwise, sell, exchange, mortgage, pledge or otherwise dispose of, or turn to account or realize upon, and generally to deal in and use any and all kinds of securities issued or created in any and all parts of the world by corporations, associations, partnerships, firms, trustees, syndicates, individuals, governments, states, municipalities, or other political or governmental division or subdivision, or any thereof, or by any combinations, organizations or entities whatsoever, irrespective of their form or the name by which they may be described, and to issue in exchange therefor or in payment thereof in any manner permitted by law and this Agreement of Consolidation, its own securities of any kind or to make payment therefor by any other lawful means of payment whatsoever; to exercise any and all rights, powers, and privileges in respect of any and all such securities, including the right to vote thereon the same as if owned by a private individual; to do any and all acts and things for the preservation, protection, improvement and enhancement in value of any and all such securities;

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to acquire or become interested in any such securities, as aforesaid, by original subscription, underwriting, loan, participation in syndicates or otherwise and irrespective of whether or not such securities be fully paid or subject to further payments; to make payments thereon as called for, or in advance of calls or otherwise; and to underwrite or subscribe for the same conditionally or otherwise and either with a view to investment or for resale or for any other lawful purpose. The term "securities" shall for the purposes of this subdivision of Article Fourth without limitation of the generality thereof be deemed to include any shares, stocks, bonds, debentures, notes, mortgages or other obligations, and any certificates, receipts or other instruments representing rights to receive, purchase or subscribe for the same, or representing any other rights or interests therein or in any property or assets.

4. To acquire by purchase, exchange or otherwise, all, or any part of, or any interest in, the properties, assets, business and good will of any one or more persons, firms, associations, corporations or syndicates, engaged in any business for which a corporation may now or hereafter be organized under the laws of the State of Delaware; to pay for the same in cash, property or its own or other securities; to hold, operate, reorganize, liquidate, sell or in any manner dispose of the whole or any part thereof; and in connection therewith, to assume or guarantee performance of any liabilities, obligations or contracts of such persons, firms, associations, corporations or syndicates, and to conduct in any lawful manner the whole or any part of any business thus acquired.

To the extent now or hereafter permitted by the laws of the State of Delaware, to lend its uninvested funds from time to time to such extent, to such persons, firms, associations, corporations, syndicates, governments or subdivisions thereof, and on such terms and on such security, if any, as the Board of Directors of the Corporation (hereinafter called the Board of Directors) may determine.

To endorse or guarantee the payment of principal, interest, or dividends upon, and to guarantee the performance of sinking fund or other obligations, of any securities, and to guarantee the performance of any of the contracts or other undertakings in which the Corporation may otherwise be or become interested, of any corporation, association, partnership, firm, trustee, syndicate, individual, government, state, municipality or other political or governmental division or subdivision, domestic or foreign, in so far as may be permitted by law.

To cause to be formed, merged, reorganized or liquidated, and to promote, take charge of and aid in any way permitted by law, the formation, merger, liquidation or reorganization of any corporation, association, syndicate or organization of any kind, domestic or foreign, and to form, organize, promote, manage, control, maintain, dissolve, merge or consolidate one or more corporations in any of the securities of which the Corporation may be or become interested, for such purpose or purposes as may aid or advance the objects and purposes of the Corporation.

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5. To develop, apply for, obtain, purchase, lease, take licenses in respect of, or otherwise acquire, and to hold, own, use, operate, enjoy, turn to account, grant licenses in respect of, manufacture under, introduce, sell, assign, mortgage, pledge or otherwise dispose of:

(a) any and all inventions, devices, formulae, processes and any improvements and modifications thereof;

(b) any and all letters patent of the United States of America, or of any other country, and all rights connected therewith or appertaining thereunto;

(c) any and all copyrights granted by the United States of America or any foreign country;

(d) any and all trade-marks, trade names, trade symbols and other indications of origin and ownership granted by or recognized under the laws of any state or country; and,

(e) any and all franchises, licenses, grants or concessions granted by or recognized under the laws of the United States of America or of any state or subdivision thereof or of any foreign country or subdivision thereof.

6. To enter into, make, perform and carry out contracts of every sort and kind which may be necessary or convenient for the business of the Corporation or business of a similar nature with any person, firm, corporation, private, public or municipal, body politic, any state, territory or municipality of the United States of America or any foreign government or body politic.

7. To draw, make, accept, endorse, execute and issue promissory notes, drafts, warrants, debentures and other negotiable or transferable instruments.

8. To borrow money for any purposes of the Corporation, from time to time, and without limit as to amount; to issue and sell its own bonds, debentures or other securities in such amounts, on such terms and conditions, for such purposes and such prices, now or hereafter permitted by the laws of the State of Delaware and by this Agreement of Consolidation, as the Board of Directors may determine; and to secure such securities, to the extent now or hereafter permitted by the laws of said State and by this Agreement of Consolidation by mortgage upon, or the pledge of, or the conveyance or assignment in trust of, the whole or any part of the properties, assets, business and goodwill of the Corporation then owned or thereafter acquired.

9. To purchase, hold, cancel, reissue, sell, exchange, transfer or otherwise deal in its own securities (including shares of its capital stock of any class) from time to time to such an extent and in such manner and upon such terms as the Board of Directors shall determine; provided that the Corporation shall not use its funds or property for the purchase of its own shares of capital stock when

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such use would cause any impairment of its capital; and provided further that shares of its own capital stock belonging to the Corporation shall not be voted upon directly or indirectly; and provided, further, that nothing herein contained shall be construed as limiting or restricting the exercise of the rights and powers permitted by the laws of the State of Delaware and Article Fifth, paragraph 5 of this Agreement of Consolidation in respect of the purchase and retirement of the Class A and/or Class B Stock out of the capital of the Corporation.

10. To organize or cause to be organized under the laws of the State of Delaware, or of any other state, district, territory, nation, colony, province or government, a corporation or corporations for the purpose of accomplishing any or all of the objects for which the Corporation is organized, and to dissolve, wind up, liquidate, merge or consolidate any such corporation or corporations or to cause the same to be dissolved, wound up, liquidated, merged or consolidated.

11. To carry out all or any of the foregoing objects and purposes, as principal or agent and alone or with associates or, to the extent now or hereafter permitted by the laws of the State of Delaware, as a member of, or as the owner or holder of any stock of, or any shares or interest in, any firm, association, trust, corporation or syndicate, and generally the Corporation shall be authorized to exercise and enjoy all other powers, rights and privileges granted by an Act of the Legislature of the State of Delaware, entitled, "An Act Providing a General Corporation Law", approved March 10, 1899, to corporations of the character of the Corporation, and all the powers conferred upon such corporations by the then existing laws of the State of Delaware, so far as not in conflict therewith or which may be conferred by all acts heretofore or hereafter amendatory of said Act of March 10, 1899, or of said laws, or supplemental thereto, or the laws of said State now or hereafter in force; provided, however, that the Corporation shall not in any state, territory or country, carry on any business, or exercise any powers, which a corporation organized under the laws of said state, territory or country could not carry on or exercise, except to the extent permitted or authorized by the laws of such state, territory or country.

The Corporation shall not, however, have power or authority to issue bills, notes or other evidences of debt for circulation as money, or to carry on the business of receiving deposits of money or the business of buying gold or silver bullion or foreign coins or to engage in the business of banking or insurance or to carry on the business of constructing or maintaining public utilities in the State of Delaware; and all other provisions of this Article Fourth are subject to the provisions of this paragraph.

ARTICLE V.

The amount of the total authorized capital stock of the corporation is Two Million Seven Hundred Fifty-Nine Thousand One Hundred Sixty Dollars ($2,759,160) divided into Fifty Thousand (50,000) shares of common stock of

the par value of One Dollar ($1) per share, amounting in the aggregate to Fifty Thousand Dollars ($50,000), Eight Hundred Thirty-Eight Thousand Six Hundred Ninety-Nine (838,699) shares of Class "B" stock of the par value of One Dollar ($1), amounting in the aggregate to Eight Hundred Thirty Eight Thousand Six Hundred Ninety-Nine Dollars ($838,699), and One Million Eight Hundred Seventy Thousand Four Hundred Sixty-One (1,870,461) shares of Class "A" stock of the par value of One Dollar ($1) per share, amounting in the aggregate to One Million Eight Hundred Seventy Thousand Four Hundred Sixty-One Dollars ($1,870,461). The common stock and the Class "B" stock and the Class "A" stock may be issued from time to time at or above par for cash, real or personal property, or services, as may be fixed from time to time by the Board of Directors, as may be permitted by law.

The description of the different classes of stock, and a statement of the designations and powers, privileges and rights, and qualifications, limitations or restrictions thereof, are as follows:

(1) There shall be created for the sole benefit of the Class A Stock an appropriate asset account (hereinafter referred to as the Class A asset account) in which shall be carried one share of General Motors Corporation Common Stock, or its future equivalent by way of exchange, stock dividend, or otherwise, for each share of Class A Stock issued and outstanding. There shall also be created for the sole benefit of the Class A Stock a Class A surplus account to which shall be credited all income received in connection with assets carried in the Class A asset account and to which shall be debited all such taxes and expenses as the Board of Directors shall determine to be fairly attributable to the Class A Stock. Dividends on the Class A Stock shall be paid exclusively from Class A surplus. The Class A Stock shall not benefit from the assets or income of the Corporation except as hereinbefore set forth and as hereinafter provided in paragraph 4.

(2) There shall be created for the sole benefit of the Class B Stock an appropriate asset account (hereinafter referred to as the Class B asset account) in which shall be carried one share of General Motors Corporation Common Stock, or its future equivalent by way of exchange, stock dividend, or otherwise, for each share of Class B Stock issued and outstanding. There shall also be created for the sole benefit of the Class B Stock a Class B surplus account to which shall be credited all income received in connection with assets carried in the Class B asset account and to which shall be debited all such taxes and expenses as the Board of Directors shall determine to be fairly attributable to the Class B Stock. Dividends on the Class

B Stock shall be paid exclusively from Class B surplus. The Class B Stock shall not benefit from the assets or income of the Corporation except as hereinbefore set forth and as hereinafter provided in paragraph 4.

(3) All income, expenses, and/or taxes of the Corporation not allocated to the Class A Stock or Class B Stock as herein provided, shall be credited or debited to an account entitled "General Surplus" for the benefit of the Common Stock. Dividends upon the Common Stock shall be paid exclusively from General Surplus.

(4) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or otherwise, after paying all debts, bonded or otherwise, taxes and all expenses of the Corporation, each holder of the Class B Stock shall be entitled, before any distribution be made to stockholders of any other class, to receive his pro rata share of the assets in the Class B asset account, viz. one share of General Motors Corporation Common Stock, or its future equivalent by way of exchange, stock dividend, or otherwise, increased by any surplus or decreased by any deficit or liability applicable thereto, as the case may be. After said payment in full to the holders of the Class B Stock, each holder of Class A Stock shall be entitled, before any distribution be made to Common stockholders, to receive his pro rata share of the assets in the Class A asset account, viz. one share of General Motors Corporation Common Stock, or its future equivalent by way of exchange, stock dividend, or otherwise, increased by any surplus or decreased by any deficit or liability applicable thereto, as the case may be. After said payments in full to the holders of the Class B Stock and Class A Stock, the holders of the Common Stock shall be entitled to the net remaining assets according to their respective shares.

(5) The Corporation by action of its Board of Directors may at any time, and, subject to the General Corporation Law of Delaware, at the request of any holder of Class A Stock and/or Class B Stock upon ninety (90) days' notice in writing to the Corporation, shall, subject to the General Corporation Law of Delaware, redeem the whole or any part of the Class A Stock and/or Class B Stock held by such holder, in cash and/or property at its option, upon surrender and cancellation of such shares; if in cash, at the closing bid price per share for General Motors Corporation Common Stock on the New York Stock Exchange on the day preceding the day of redemption, and, if in property, with one share of the

present General Motors Corporation Common Stock, or its future equivalent by way of exchange, stock dividend, or otherwise, for each share of Class A Stock and/or Class B Stock so surrendered for redemption; in any event, however, increased by any surplus or decreased by any deficit or liability applicable thereto, as the case may be; or the Corporation may, at any time or from time to time, purchase such shares of Class A Stock and/or Class B Stock at not exceeding the price or prices at which the same may be redeemed. Shares of Class A Stock and/or Class B Stock so redeemed or purchased shall not thereafter be reissued but shall be retired and the capital of the Corporation decreased accordingly.

The Corporation may apply to such redemption or purchase an amount out of its capital which shall not be greater than the sum of (1) that part of the consideration received for such shares which shall be capital pursuant to the provisions of Section 14 of the General Corporation Law of the State of Delaware, and paragraph 8 of Article Fifth of the Agreement of Consolidation, and that part of surplus which shall have been transferred and treated as capital in respect of such shares pursuant to the provisions of said Section 14 of the Delaware Corporation Law and said paragraph 8 of Article Fifth of this Agreement of Consolidation and (2) any amounts of which the capital of the Corporation shall have been increased by other transfers from surplus in accordance with the provisions of said Section 14 of the Delaware Corporation Law and said paragraph 8 of Article Fifth of this Agreement of Consolidation; but no such redemption or purchase shall be made out of capital unless the assets of the Corporation remaining after such redemption or purchase shall be sufficient to pay any debts of the Corporation, the payment of which shall not have been otherwise provided for.

Whenever any capital of the Corporation is applied to the redemption or the purchase of shares pursuant to the provisions aforesaid, a certificate shall be made accordingly under the seal of the Corporation and the hands of its President or a Vice-President and its Secretary or an Assistant Secretary and the President or such Vice-President shall acknowledge said certificate before an officer authorized by the laws of Delaware to take acknowledgments of deeds; and said certificate, so executed and acknowledged, shall be filed and a copy thereof shall be recorded, in the same manner as certificates of incorporation are required to be filed and recorded by the provisions of Section 6 of the General Corporation Law of Delaware; and thereupon the capital of the corporation shall be deemed to be

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and shall thereby be reduced by the amount so applied without the necessity of any other proceedings. If the shares so redeemed or purchased or surrendered on conversion or exchange constitute all the outstanding shares of Class A or Class B Stock, the Board of Directors shall have power by the certificate so filed and recorded to amend the Agreement of Consolidation so as to eliminate all reference to the shares so redeemed or purchased or surrendered and on the filing and recording of such certificate the Agreement of Consolidation shall be deemed to be amended accordingly.

Nothing herein contained shall in any way affect the rights of the Corporation to redeem or purchase any of its shares from surplus and to hold such shares or to resell them for such consideration as shall be fixed from time to time by the Board of Directors pursuant to paragraph (9) of Article Fourth of this Agreement of Consolidation.

(6) Each holder of the Common Stock shall be entitled to one vote, each holder of the Class A Stock shall be entitled to one vote, and each holder of the Class B Stock shall be entitled to one vote, in person or by proxy, for each share of the capital stock held by such holder, respectively.

(7) No holder of stock of the Corporation of whatever class or classes shall have any preferential right or any right whatever to subscribe for any share of any class of stock of the Corporation issued or sold, or to be issued or sold whether now or hereafter authorized, or to subscribe to any of the obligations convertible into stock of the Corporation, or any right of subscription to any thereof other than such, if any, as the Board of Directors in its absolute and uncontrolled discretion may from time to time determine.

(8) This Corporation may, by resolution of its Board of Directors, determine that only a part of the consideration received for any of the shares of its capital stock which it shall issue from time to time shall be capital; provided, however, that the amount of the part of such consideration so determined to be capital need be only equal to the aggregate par value of such shares. The capital of the Corporation may be increased from time to time by resolution of the Board of Directors directing that a portion of the net assets of the Corporation in excess of the amount so determined to be capital be transferred to capital account. The Board of Directors may direct that the portion of the excess net assets so transferred shall be treated as capital in respect of any shares of the Corporation of any designated class or classes. The excess, if any, at any given time, of the

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total net assets of the Corporation over the amount so determined to be capital shall be surplus.

(9) The amount of capital with which the Corporation will commence business is .... Dollars ($............).

ARTICLE VI.

The number of the first directors of the Corporation shall be twelve, which number may be increased or diminished from time to time by amendment of the By-Laws of the Corporation as therein provided; and the names and places of residence of the first directors, who shall hold office until their successors are elected or chosen and qualified as provided in the By-Laws of the Corporation are as follows:

Names of Directors	Places of Residence
....	....
....	....
....	....
....	....
....	....
....	....
....	....
....	....
....	....
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....	....
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The number of the first officers of the Corporation shall be nine, which number may be increased or diminished from time to time in accordance with or by amendment of the By-Laws of the Corporation as therein provided. The first officers of the Corporation shall be a Chairman, President, two Vice-Presidents, Treasurer, Secretary, two Assistant Treasurers and an Assistant Secretary, who shall hold office until their respective successors are chosen or appointed and qualified, as provided in the By-Laws; and their names and places of residence are as follows:

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Office	Name	Residence
Chairman	Alfred P. Sloan, Jr.	Great Neck, N. Y.
President	John Thomas Smith	South Hampton, N. Y.
Vice-President	Ormond E. Hunt	Detroit, Mich.
Vice-President	John J. Schumann, Jr.	Montclair, N. J.
Treasurer	Albert Bradley	Greenwich, Conn.
Assistant Treasurer	F. G. Donner	Port Washington, N. Y.
Assistant Treasurer	W. Harry Howe	Detroit, Mich.
Secretary	Lisle R. Beardslee	Cranford, N. J.
Assistant Secretary	J. C. Davidson	Detroit, Mich.

ARTICLE VII.

The Corporation is to have perpetual existence.

ARTICLE VIII.

The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatever.

ARTICLE IX.

For the regulation of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders, it is further provided:

(1) The number of directors of the Corporation shall be fixed by its By Laws and may be altered from time to time by amending the By Laws as therein provided. In the case of any increase in the number of directors of the Corporation, the additional directorship created may be filled in the first instance in the same manner as a vacancy in the Board of Directors. A director need not be a stockholder. The election of directors of the Corporation need not be by ballot unless the By Laws so require.

The Board of Directors may, by resolution or resolutions, passed by a majority of the whole Board designate a committee to consist of two or more of the directors of the Corporation, which to the extent provided in said resolution or resolutions or in the By Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee shall have such name or names as may be stated in the By Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

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(2) Any director or any officer elected or appointed by the stockholders or by the Board of Directors may be removed at any time in such manner as shall be provided in the By Laws of the Corporation.

(3) In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized and empowered:

(a) To make, alter, amend and repeal the By Laws of the Corporation, in any manner not inconsistent with the laws of the State of Delaware or of the Agreement of Consolidation of the Corporation, subject to the power of the holders of the voting capital stock to alter or repeal the By Laws made by the Board of Directors.

(b) Subject to the applicable provisions of the By Laws then in effect, to determine, from time to time, whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

(c) Without the assent or vote of the stockholders, to authorize and issue obligations of the Corporation, secured or unsecured, to include therein such provisions as to redeemability, convertibility or otherwise, as the Board of Directors, in its sole discretion, may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the Corporation, real or personal, including after-acquired property.

(d) To determine whether any, and if any, what part, of the annual net profits of the Corporation or of its net assets in excess of its capital shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such annual net profits or net assets in excess of capital.

(e) To fix from time to time the amount of the profits of the Corporation to be reserved as working capital or for any other lawful purpose.

In addition to the powers and authorities hereinbefore or by statute expressly conferred upon it, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware, this Agreement of Consolidation and the By Laws of the Corporation.

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(4) No contract or other transaction between this Corporation and any other corporation and no act of this Corporation shall in any way be affected or invalidated by the fact that any of the directors of the Corporation are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation. Any director individually or any firm of which any director may be a member may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Corporation, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors, or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction shall be taken; and any director of this Corporation, who is also a director or officer of such other corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall authorize any such contract or transaction, and may vote thereat to authorize any such contract or transaction, with like force and effect as if he were not such director or officer of such other corporation or not so interested.

Any contract, transaction or act of the Corporation or of the directors or of any committee, which shall be ratified by a majority of a quorum of the stockholders of the Corporation at any annual meeting, or at any special meeting called for such purpose, shall, in so far as permitted by law or by this Agreement of Consolidation, be as valid and as binding as though ratified by every stockholder of the Corporation.

(5) From time to time any of the provisions of Articles II to X, inclusive, of this Agreement of Consolidation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner at the time prescribed by said laws for certificate of incorporation generally, and all rights at any time conferred upon the stockholders of the Corporation by this Agreement of Consolidation are granted subject to the provisions of this subdivision.

(6) The stockholders and directors shall have power to hold their meetings, to have an office or offices and to keep the books of this Corporation at such places as may from time to time be designated by them.

ARTICLE X.

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of

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Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 43 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE XI.

The manner of converting the shares of each of the constituent corporations into shares of the Corporation shall be as follows:

(1) Upon the filing of this Agreement of Consolidation in the office of the Secretary of State of Delaware—

(a) Each of the shares of the outstanding Class "A" stock of Securities Company shall, by such filing and without the necessity of further act or deed, be converted into, and shall constitute, One (1) share of the Class "A" stock of the Corporation and the holders of the certificates for such shares of the Class "A" stock of Securities Company, upon surrender of such certificates to the Corporation or its agent designated for the purpose, duly endorsed if required, shall be entitled to receive in exchange therefor a certificate for One (1) share of the Class "A" stock of the Corporation for each One (1) share of such Class "A" stock of Securities Company represented by the certificate so surrendered;

(b) Each of the shares of the outstanding Class "A" and of the Class "B" stock of Management Corporation shall be converted into and shall constitute One (1) share of the Class "B" stock of the Corporation and the holders of the certificates of such shares of the Class "A" and Class "B" stock of Management Corporation, upon surrender of such certificates to the Corporation or its agent designated for the purpose, duly endorsed if required, shall be entitled to receive in exchange therefor a certificate for One (1) share of Class "B" stock of the Corporation for each One (1) share of such Class "A" stock or such Class "B" stock of Management Corporation represented by the certificate so surrendered; and

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(c) Each of the shares of the outstanding common stock of Management Corporation shall be, by such filing and without the necessity of further act or deed, converted into, and shall constitute, One (1) share of the common stock and Eight (8) shares of the Class "B" stock of the Corporation and the holders of the certificates for the common stock of Management Corporation, upon surrender of such certificates to the Corporation or its agent designated for the purpose, duly endorsed if required, shall be entitled to receive in exchange therefor certificates for One (1) share of the common stock and Eight (8) shares of the Class "B" stock of the Corporation for each One (1) share of the common stock of Management Corporation represented by the certificates so surrendered.

(d) Each of the shares of stock of the constituent corporations, held for retirement, shall, by such filing and without the necessity of further act or deed, be retired and cancelled; and such shares shall not be convertible into shares of the Corporation.

Delay in the exchange of the certificates for the outstanding Class "A" stock of Securities Company or the outstanding common or Class "A" or Class "B" stock of Management Corporation shall not affect the conversion of such stock, by the filing of this Agreement, into stock of the Corporation as hereinbefore provided; and upon such filing of this Agreement all of the stock of Securities Company and all of the stock of Management Corporation shall be completely cancelled and redeemed as stock of such corporations.

(2) Upon the filing of thi Agreement of Consolidation in the office of the Secretary of State of Delaware—

(a) All of the property in the Class A asset account and Class A surplus account of Securities Company (which, at the time of such filing, will constitute all of the property of Securities Company) shall, by the filing of this Agreement, and without the necessity of any further act or deed, become property in the Class A asset account and Class A surplus account, respectively, of the Corporation;

(b) All of the property in the Class A and Class B asset accounts of Management Corporation and Four Hundred Thousand (400,000) shares of stock of General Motors Corporation in the General asset accounts of Management Corporation shall, by the filing of this Agreement and without the necessity of any further act or deed, become property in the Class B asset account of the Corporation; and all of the property in the Class A and Class B surplus accounts and Ten Thousand Eight Hundred and Fifty-Six Dollars ($10,856) in the General Surplus account of Management Corporation shall, similarly, become property in the Class B surplus account of the Corporation.

(c) All of the remainder of the property of Management Corporation shall, by the filing of this Agreement and without the necessity of further act or deed, become property in the general fund of the Corporation.

ARTICLE XII.

This Agreement shall be submitted to the stockholders of Securities Company and Management Corporation, at meetings thereof, called separately for the purpose of taking the same into consideration; of the time, place and objects of which meetings due notice shall be given according to law and if the votes of stockholders of each such corporation shall be for the adoption of this Agreement, then that fact shall be certified hereon by the secretary of each of said corporations under the seal thereof; and the Agreement so adopted and so certified, duly executed and acknowledged, shall be filed in the office of the Secretary of State of Delaware and shall thence be taken and deemed to be the Agreement and Act of Consolidation of General Motors Securities Company and General Motors Management Corporation, and said corporations shall thereupon cease as hereinbefore in this Agreement and by law provided, and all property, rights, privileges, powers and franchises, and all and every other interest, of each of said corporations owned or had at the time of the filing of this Agreement, shall, by such filing and without the necessity of any further act or deed, be thereafter as effectively the property of the new corporation, G M Shares, Inc., as they were of Securities Company or Management Corporation.

In Witness Whereof, the said corporations, parties to this Agreement, in pursuance of resolutions unanimously adopted by their respective boards of directors at meetings duly called for the purpose, have caused their respective corporate seals to be hereto affixed and these presents to be signed by their respective presidents or vice-presidents and attested by their respective secretaries or assistant secretaries, all duly thereunto authorized and these presents have been signed by a majority of their respective directors as of the day and year first above written.

General Motors Securities Company,

By ....

President.

(Corporate Seal)

Attest:

....
Secretary.

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....

Directors of General Motors Securities Company.

General Motors Management Corporation

By ....
President.

(Corporate Seal)

Attest:

....
Secretary.

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....
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....
....

Directors of General Motors Management Corporation.

PLAN OF COMPLETE LIQUIDATION OF GENERAL MOTORS SECURITIES COMPANY

I. Complete Liquidation

General Motors Securities Corporation (hereinafter referred to as "Securities") shall proceed in good faith and without delay, in accordance with the General Corporation Law of the State of Delaware and in accordance with this Plan of Complete Liquidation, to effect a distribution of all its assets in complete liquidation and in complete cancellation and redemption of all its stock.

II. Method of Liquidation

The complete liquidation of Securities shall be effected in the following manner:

(1) All the property of Securities shall be distributed concurrently by a liquidating distribution of all the property attributable to the common stock to E. I. duPont de Nemours and Company (hereinafter referred to as "duPont"), the owner of all the outstanding common stock; and by the consolidation of Securities with General Motors Management Corporation (hereinafter called "Management") into a new corporation, pursuant to the General Corporation Law of the State of Delaware. (A copy of the Agreement of Consolidation is attached hereto and made a part of this Plan.)

(2) Upon such distribution of all the property of Securities, both the common stock and Class A stock of Securities shall be completely cancelled and redeemed and the Class A stockholders of Securities (as well as the stockholders of Management) shall, in accordance with the Agreement of Consolidation, become stockholders of the new corporation.

(3) Securities shall thereupon be completely liquidated and cease to exist pursuant to the General Corporation Law of the State of Delaware.

(4) The distribution of the assets under this Plan shall be made in kind insofar as possible.

(5) The liquidation shall be completed, if possible, on or before December 31, 1938, and in any case on or before December 31, 1941.

III. Compliance with Revenue Act of 1938

The liquidation shall be carried out and completed in such a manner as to comply in all respects with section 112(b)(6) of the Revenue Act of 1938. To this end—

(1) Upon the adoption of the Plan, Securities shall have the status of a corporation in liquidation, which status shall continue to exist until Securities ceases to exist in accordance with this Plan;

(2) No distribution under the liquidation will have been made before the adoption of this Plan;

(3) duPont, the owner of all the common stock and possessing approximately 95 per cent of the voting power of all classes of stock entitled to vote, shall continue to own all such common stock until the completion of the transfer of all the property of Securities under this Plan. There are no other classes of stock and no additional stock shall be issued by Securities. Accordingly, at no time during the period of liquidation will duPont be the owner of a greater percentage of stock of Securities of any class than the percentage which it will own at the time of the transfer of all the property.

IV. Effective Date of Plan

This Plan shall be submitted to the stockholders of Securities promptly after the stockholders of Management have considered and acted favorably upon the consolidation of Management and Securities provided for in this Plan. This Plan shall become effective and be deemed to be adopted when, and only when, it has been approved by the Board of Directors of duPont and by vote of at least two-thirds of the total number of shares of the capital stock of Securities, at meetings duly called for such purpose and held in accordance with law.

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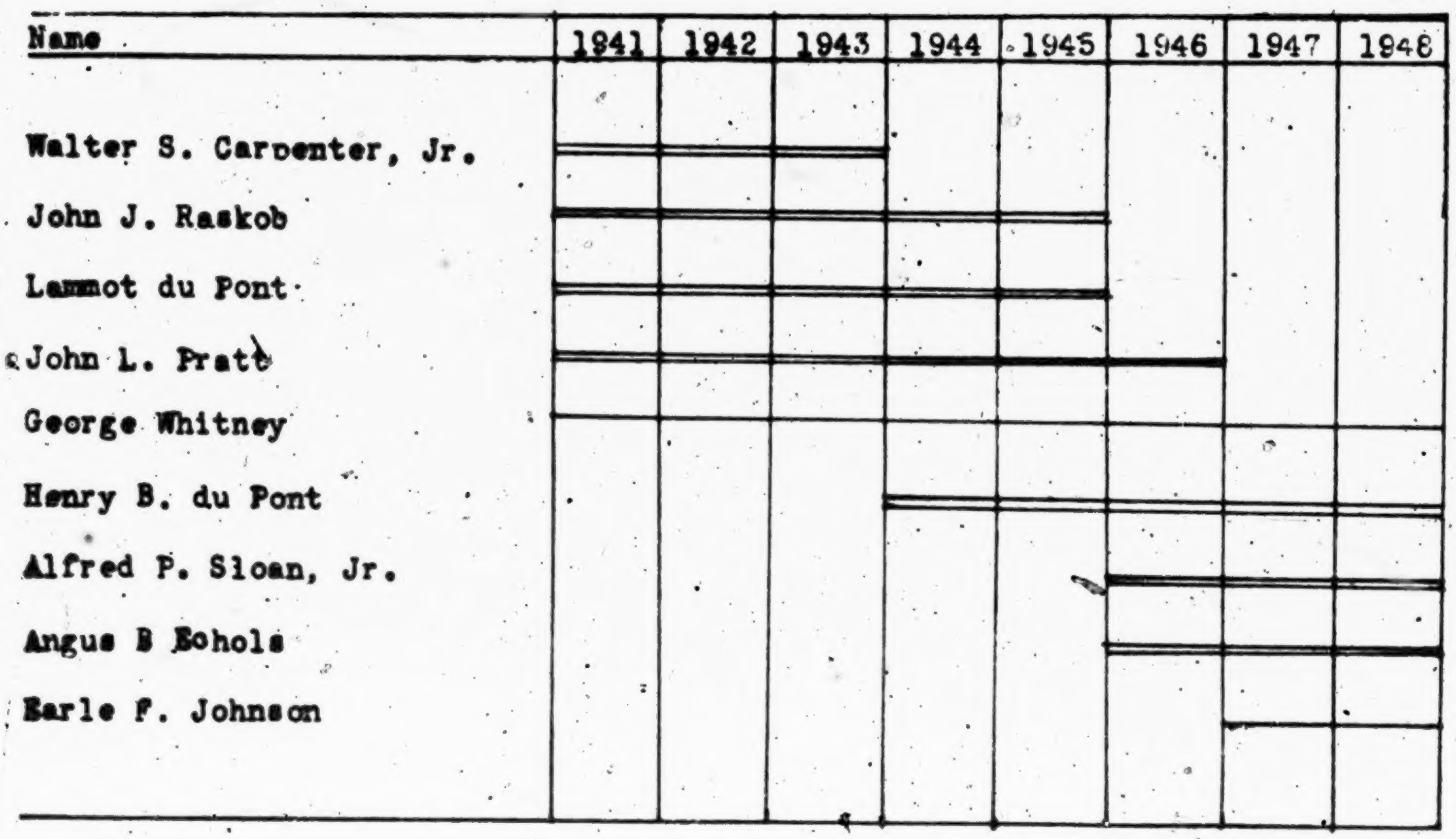
Government's Exhibit No. 276

3679

BONUS AND SALARY COMMITTEE OF GENERAL MOTORS 1941-1948

(No separate Bonus and Salary Committee listed in Annual Reports of 1916-1940)



═══ denotes du Pont directors, officers, or former employees

CH denotes Chairman

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GO' Government's Exhibit No. 277

SERIAL No. SU-133

April 17, 1918.

EXECUTIVE COMMITTEE,

Building.

Gentlemen:

I am handing you report of The Flint Varnish & Color Works and The Flint Varnish & Color Works of Canada, Ltd.

Yours very truly,

[Stamp] R.R.M. CARPENTER.
VICE PRESIDENT.

L.

[1327]

3681

To: Mr. R. R. M. Carpenter, Vice President

From: Excess Plant Utilization Division
Development Department

Serial No. SU-133

April 17, 1918

THE FLINT VARNISH & COLOR WORKS

THE FLINT VARNISH AND COLOR WORKS OF CANADA, LTD.

The Executive Committee has approved of the general policy of the acquisition of one or more suitable going concerns in the development of our paint and varnish department. The exact lines on which this development should take place have been the subject of an exhaustive study of this Department, following the advice of action of the Committee on December 29, 1917. This report is complete and is now being typed, but it is necessary to anticipate in part the conclusions reached therein in order to present this proposition; i.e. the purchase of a large common stock interest in the Flint Varnish & Color Works at Flint, Michigan, and the Flint Varnish and Color Works of Canada, Ltd. of Toronto, Ontario.

That report will conclude that the proper and logical expansion of our paint and varnish business is along industrial lines and will recommend the purchase of one or two additional concerns of that type. The opportunity presented herewith is such that complete ownership is not desirable nor necessary at this time, for the relations of the two varnish companies are so close with the motor car interests that their cooperation as well as the present management is desired. It is planned that

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about 20% of the common stock will be divided with General Motors Company, Willys Overland and W. W. Mountain, the president and general manager.

It will be seen that the American company is much more desirable than the Canadian company, but they are so closely allied that it may not be good policy to not include both. It is also possible that we could not obtain an interest in the American company without a corresponding interest in the Canadian.

In any event, it is possible that a Canadian Overland plant will be built which would add some business. The Canadian field has been overcrowded by the numerous branch factories built by American varnish houses and competition is keen. It does not appear probable that very much profit can be expected but the sales may be made sufficient to break even.

If par is paid for the stock of the Canadian company it is about $25,000 in excess of the asset value, but any lower figure than par would probably not be accepted nor would such an offer be advisable.

Assume our total investment as follows:

7200 shares of Flint Varnish & Color Works	@ 120	$864,000
2000 shares of Flint Varnish & Color Works of Canada, Ltd.	@ 100	200,000
		$1064,000
American company earnings (annually)		268,000
Canadian " " "		-0-
		$268,000
Deduct preferred dividends		35,000
		$233,000
Applicable to our investment		186,400
or return on our investment		17.5%

Cooperation from the American company will assist our Harrison line in a very weak place, i.e industrial varnishes and will also assist the Chicago plant in the matter of varnish vehicles and similar supplies.

—3—

RECOMMENDATIONS:

We recommend the purchase of 80% of the common stock of the Flint Varnish & Color Works of Flint, Michigan at $120 per share or better, provided the remaining 20% is held as outlined in this report.

We recommend the purchase of only sufficient interest in the stock of the Flint Varnish & Color Works of Canada, Ltd. if any is required, to enable the purchase of the American company as above recommended, but believe if found necessary that a maximum of 80% can be acquired in the Canadian company rather than lose the other.

APPROVED BY: [Stamp] W. S. CARPENTER, JR.

PREPARED BY: [Stamp] F. S. MAC GREGOR

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The Flint Varnish Works at Flint, Michigan was incorporated under the laws of the State of Michigan on December 2, 1909 for a period of thirty years with an authorized capital stock of $500,000, divided into 5000 shares of $100.00 each, of which 1000 shares were 6% Cumulative Preferred, and 4000 Common. The corporation took over the varnish works of the Durant Dort Carriage Company of Flint, Michigan.

On November 15, 1913 the company was reorganized and the capital stock increased to $1,000,000, consisting of $500,000 Preferred Stock changed from 6% to 7%, and $500,000 Common, par value, all the new shares remaining the same. No cash was paid in at this time as the Board of Directors on the same date declared a stock dividend of $589,550.00, payable out of surplus, which was divided as follows: $475,000 to the Preferred Stock and $114.550.00 to the Common Stock.

This surplus out of which the dividend was paid was created, for the most part, by the addition to the book value of the assets, $495,000 representing Good Will, Formulae, Trade Names, Trade Marks, etc. as authorized by the Directors under date of November 15, 1913. The amount of $101,000.00 was paid to the former company (Durant Dort Carriage Company) for their development work on formulae. These two figures give the value of the intantible assets of $596,000 shown in the Balance Sheets of December 31, 1913 and 1917. (Exhibits A and B)

The fixed assets were increased from $179,024.10 at the end of 1913 to $507,403.39 at the end of 1917. This addition of $328,379.29 is represented by actual plant additions of $271,138.72 increase in value shown by appraisal of

January 1917 $56,982.63 and adjustment of inventory $257.94. A new varnish plant was constructed and some new buildings. Suitable depreciation has been allowed.

The inventory at the end of 1917 may, be compared with that of 1913:

	1913	1917
Raw Material	$83,992.81	$267,369.81
Finished Stock	68,931.03	123,657.81
	$152,923.84	$391,027.62

Considering the volume of sales for 1917 was more than four times that of 1913 this inventory value is very satisfactory.

About $18,000 of the fixed assets represent a farm 40 miles from Flint on which there is a deposit of iron oxide. It is not developed but samples tested at the color works indicate its good qualities. If further investigation does not show its value the land and timber can be sold at sufficient price to prevent any great loss.

The volume of sales to December 31, 1913 are as follows:

	Net Sales
Year ending Aug. 1, 1910	$317,412.32
" " " " 1911	350,489.43
" " " " 1912	406,162.20
" " " " 1913	472,946.83
5 mos. ending Dec. 31, 1913	275,609.03

The sales for the succeeding four years are shown below, together with the net profits:

	Net Sales	Net Profit	% of Sales
1913 (17 mos.)	$743,122.10	$102,485.39	13.8%
1914 (12 mos.)	612,106.25	135,805.91	21.9
1915	998,467.74	256,986.26	25.7
1916	1,472,108.33	397,795.51	27.0
1917	1,927,480.03	413,207.69	21.4
1917		276,686.09	14.4 (after deducting reserve for Federal taxes.)

Of the total profit of $1,169,759.16 for the 5½ years approximately, only $272,291.73 has been passed to dividends, the rest has been returned to the business as working capital and to cover plant additions. Of the amount paid in dividends $100,000.00 was two 10% cash dividends on the common stock, paid in 1915 and 1916, the balance being annual dividends on the preferred.

Again in 1916, the directors declared an 80% stock dividend of $400,000 in common stock, bringing the total common stock issued to $900,000.00, which does not represent any new capital introduced from sources other than earnings, at the same time the common stock was increased to $1,000,000, $100,000 remaining unissued.

—6—

Reference to Exhibit C — Comparative Statement of Profit & Loss — shows the real net earnings for 1917 to be somewhat reduced due to a reserve of $136,521.60 being set up for Federal Income and Excess Profits Taxes.

The cost of sales has risen due to increased cost of raw materials but there is still a sufficient margin of gross profit to give satisfactory net profits, this company is an example of a strategically located plant doing an industrial paint and varnish business in a limited area. This point will be brought out in another report on the general paint and varnish industry now being typed.

To anticipate the conclusions of this other report, it is sufficient to say at this time that it will show that the development of our paint and varnish business should be along industrial lines and that distribution is a very important factor. That report will also recommend the purchase of one or more suitable plants doing an industrial business. Since that report was completed this proposition——Flint Varnish & Color Works——has come to our attention, which is explained by reference to Exhibit D.

Reference to Exhibit E shows the distribution of sales, first in the three general divisions and secondly, the manufacturing portion in further detail to show the relation of the various motor companies' consumption.

While the value of the common stock on an asset basis (with the exception of the arbitrary increase of $64,918 in the appraisal) gives $87 as the value of the common shares, the price of $120 per share suggested by Mr. Durant is not excessive. It allows an intangible asset and good will value of 237,600 for a 80% ownership, but in view of the unusual service rendered by the varnish company to their customers, they have an extraordinary amount of good will. It is a policy to furnish a customer any class of goods on short notice, which is an important factor in industrial varnish and paint lines.

As the preferred stock is non-voting, it is not deemed necessary to purchase it at this time. The return on our invest-

ment should be extremely satisfactory. Allowing for the reserve for Federal Taxes for 1917 the earnings for that year were $276,686.09, and the expected return on the investment should be as follows:

Annual net earnings average for four years	$268,000
Deduct preferred stock dividend	35,000
	$233,000
Applicable to common (9000)	$25.90 per share

$$\text{or } \frac{25.90}{120} = 21.6\%$$

A Canadian factory is closely connected with this company and a report on this is now inserted before making any recommendations as it is probable that the United States plant could not be purchased without the Canadian plant.

THE FLINT VARNISH & COLOR
WORKS OF CANADA, LIMITED.

As far as corporate ownership is concerned, the above is entirely separate from the company of the same name in the United States. Mr. W. W. Mountain is president of both, however, and the Canadian company is to all intents and purposes, a branch of the Flint factory.

It was incorporated March 1916 under a Dominion Charter. The authorized capital is $500,000, par value of shares $100.00; no preferred stock. $250,000 has been issued and paid in (cash). The company purchased the old carriage factory of the Durant-Dort Carriage Company at Toronto, and has converted it into a varnish and color works by alteration and addition.

Operations were started in December 1916 and therefore the concern has hardly had an opportunity to show a profit. The total sales for 1917 were $139,960.51 divided as follows:

Chevrolet	$44,333.07	31.5%
McLaughlin	48,708.73	34.8
Manufacturing	46,918.71	33.7
	$139,960.51	100.0%

Fortunately the two motor accounts have given a volume of manufacture to start that helped considerably on costs and the years loss was $25,657.57. It might be stated that the McLaughlin account is the firm making Buicks for Canada.

Reference to Exhibit A' indicates that the concern made a slight profit. This statement was furnished by Mr. Moun-

tain, but an inspection of the accounts shows that the profit is only apparent. A balance sheet of December 31, 1917 (Exhibit B[1]) shows a net loss for the 13 months of operation to that date of $25,657.57.

This was neutralized by an appraisal of the plant early in 1918, which gave the following change of values:

	Replacement Costs	Depreciated Values
Book a/c 1917	$211,294.63	$201,114.79
" " 1918	247,103.43	229,100.72
Increase		$27,985.93

This value was added to the plant account values. Of the

bills payable $36,000 is a mortgage on the plant, the notes being held by the Dort Motor Car Company. This is due in lots of $12,000 in October 1918, 1919 and 1920 and bear 5%. The balance of $60,000 is an unsecured loan with the Standard Bank of Canada.

Since January 1st, 1918 the company has lost about $4,089.99. While it is realized that this is a new business venture, yet the conditions are not yet present that make for a similar success as the United States plant has had. That plant is located in a section with large demands and quick delivery, but the local industrial section served by the Canadian plant is not large enough to carry the business profitably. They have accordingly attempted to cover the whole of the Dominion and the sales expenses are very high. Contrary to the policy of the U.S. company they are calling on small users, and while this trade may be developed, competition from the numerous other branch factories of the U.S. varnish houses is very keen. The selling expense of their western trade is 52%, which eats into the profit made from their motor company sales. At present they have the

Ford account which assists somewhat. The stock is owned by W. C. Durant, R. S. McLaughlin and W. W. Mountain. The officers are:

President	W. W. Mountain, Flint, Mich.
Vice Pres.	Geo. W. McLaughlin, Oshawa, Ont.
Sec. Treas & Gen. Mgr.	W. T. Glidden, formerly at Flint Works
Directors:	R. W. McLaughlin, Oshawa, Ont.
	J. J. Carton, Flint, Mich.

Respectfully submitted,

[Stamp] F. S. MacGregor

Approved by:

3691

FLINT VARNISH WORKS—BALANCE SHEET.

December 31, 1913.

ASSETS.

Property and Plant Account:

Intangible Value—Goodwill, Formulae, Trade Marks, etc.				$596,000.00	
Real Estate, Buildings, Machinery and Equipment Reproductive Value Now, as appraised by the American Appraisal Co. as of December 1 1913, plus additions since—					
Land			$ 9,500.00		
Buildings			107,859.36		
Machinery and Equipment			77,017.13		
Auto Truck			1,862.00		
			$196,238.49		
Less—Depreciation Accrued to date			17,214.39	179,024.10	$ 775,024.10

Current Assets:

Inventories of Raw Material, Supplies and Finished Stock—

	Varnish Department	Paint Department	Together		
Raw Material	$69,528.49	$14,464.32	$83,992.81		
Packages and Supplies	8,698.13	1,827.12	10,525.25		
Finished Stock	51,464.09	17,466.94	68,931.03	163,449.09	
Notes and Accounts Receivable—					
Accounts Receivable		$161,451.04			
Notes Receivable		650.02	$162,101.06		
Less—Reserve for Bad and Doubtful Accounts and Notes			2,535.00	159,566.06	
Cash in Banks and on Hand				12,535.47	335,550.62

Deferred Charges to Future Operations:

Unexpired Insurance Premiums	$3,349.51	
Advances for Electric Power	458.56	3,808.07
		$1,114,382.79

(1408)

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LIABILITIES

Capital Stock:			
Authorized and Issued—			
7% Cumulative Preferred— 5,000 Shares of $100.00 each		$500,000.00	
Common— 5,000 Shares of $100.00 each		500,000.00	1,000,000.00
Current Liabilities:			
Bankers Loans on Notes Payable		$53,000.00	
Accounts Payable		40,852.64	
Accrued Taxes (Federal Income Tax)		4,845.54	
Accrued Interest		594.15	99,292.33
Surplus:			
Balance at Aug. 1, 1912 as adjusted		$11,987.36	
Net Profits for the year and 7 months ending December 31, 1913 as per Profit and Loss Account	$98,403.10		
Deduct—Cash Dividend paid on the 6% Preferred Stock of $25,000.00 for the 6 months ending 2-1-13	750.00	97,653.10	
		$109,640.46	
Add—Book Surplus arising from additional value placed upon Intangible Assets as at October 31 1913, as per resolution of Board of Directors dated Nov. 15, 1913		495,000.00	
		$604,640.46	
Deduct—Stock Dividend paid November 15 1913		589,550.00	15,090.46
			$1,114,382.79

(1409)

FLINT VARNISH & COLOR WORKS—BALANCE SHEET.

ASSETS

PROPERTY ACCOUNT:			December 31, 1917	
Intangible Values—Goodwill, Formulae Trade Marks, etc.			$596,000.00	
Land, Buildings, Machinery and Equipment, based upon appraisal by the American Appraisal Company as of January 1 1917, and adjusted in respect of additions and deductions since—				
Land		$50,650.84		
Buildings		313,545.41		
Machinery and Equipment		211,000.00		
Auto Trucks		5,705.00		
Together		$580,901.25		
Less—Reserve for Depreciation		73,497.86	507,403.39	$1,103,403.39
CURRENT ASSETS:				
Inventories of Raw Material, Supplies and Finished Stocks, at or below Cost—				
Raw Material		$267,369.81		
Finished Stock—				
Varnish	$102,148.76			
Paint	21,509.05	123,657.81		
Factory Supplies		36,003.92		
Advertising Supplies		4,177.51		
Goods in Transit		7,784.26	438,993.31	
Accounts and Notes Receivable—				
Accounts Receivable		215,445.37		
Notes Receivable		4,634.98		
Together		220,080.35		
Less—Reserve for Bad and Doubtful Accounts and Notes and Unrealized Profit on packages in hands of Customers		10,222.25	209,858.10	
Advances to Officers and Employees			27,559.15	
Marketable Securities—U. S. Government Bonds, par value			31,400.00	
Cash in banks and on hand			267,110.52	974,921.08
DEFERRED CHARGES TO FUTURE OPERATIONS:				
Prepaid Insurance Premiums				3,584.75
				$2,081,909.22

LIABILITIES.

Capital Stock:			
Authorized—			
Preferred—			
5,000 Shares of $100.00 each		500,000.00	
Common			
10,000 Shares of $100.00 each		1,000,000.00	
		$1,500,000.00	
Issued—			
Preferred—5,000 Shares		500,000.00	
Common—9,000 Shares		900,000.00	
			$1,400,000.00
Current Liabilities:			
Accounts Payable		$35,219.74	
Accrued Pay Roll, Bonus, etc.		12,483.87	
Accrued Dividend on Preferred Stock		17,500.00	
Reserve for Federal Income & Excess profits Taxes		136,000.00	201,203.61
Surplus:			
Balance at Jan. 1, 1917 as per last report		174,100.93	
Net Profits for year ending 12-31-17	$276,686.09		
Deduct—Dividends paid or declared			
7% on Preferred Stock	35,000.00	241,686.09	
Together		415,787.02	
Surplus arising from appraisal of properties as at January 1 1917		64,918.59	480,705.61
			$2,081,909.22

3695

(1412)

FLINT VARNISH & COLOR WORKS

COMPARATIVE STATEMENT OF PROFIT AND LOSS—FOR THE TWO YEARS ENDING DEC. 31, 1917.

	Year ending December 31			
	1916		1917	
	Amount	% to Sales	Amount	% to Sales
Sales, less Price Allowances, etc.	$1,472,108.33	100.00	$1,927,480.03	100.00
Deduct—Manufacturing Cost of Sales	893,892.86	60.72	1,307,574.18	67.84
Balance—Gross Profit before deducting Outward Freight, etc.	578,215.47	39.28	619,905.85	32.16
Deduct				
Outward Freight	11,227.13	—	11,273.71	—
Rebates and Allowances	5,573.16	—	11,601.15	—
Together	16,800.29	1.14	22,874.86	1.19
Balance—Gross Profit	561,415.18	38.14	597,030.99	30.97
Add—Other Income	545.34	.04	2,895.89	.15
Together	561,960.52	38.18	599,926.88	31.12
Deduct—Selling General and Administration Expense	158,391.37	10.76	190,050.30	9.86
Balance—Net Profit from Operation	403,569.15	27.42	409,876.58	21.26
Add:				
Discount on Purchases	8,637.77	.59	11,054.90	.58
Less—Cash Discount Allowed	6,354.97	.43	7,430.46	.39
Net	2,282.80	.16	3,624.44	.19
Total Profits and Income	405,851.95	27.58	413,501.02	21.45
Deduct—Interest on Borrowed Money		—	293.33	.02
	405,851.95	27.58	413,207.69	21.43
Less—Reserve for Federal Income and Excess Profits Taxes	8,056.44	.55	136,521.60	7.08
Balance—Net Profit and Income, carried to Balance Sheet	$397,795.51	27.03	$276,686.09	14.35

(1413) 3696

April 10th, 1918.

R. R. M. Carpenter, Vice President,
du Pont Building.

Dear Ruly:

Yesterday while in New York Mr. Durant told me that Mr. W. W. Mountain, President of the Flint Varnish and Color Works had approached him with a view to consolidation of that company with Harrison's. Mr. Mountain knowing that we had bought a substantial interest in the General Motors Company and are extensively interested in the paint industry felt that the Flint Varnish and Color Works would perhaps lose a very valuable customer—the General Motors Company—and wrote Mr. Durant as follows:

"March 30th, 1918.

Mr. W. C. Durant,
1764 Broadway,
New York City.

Dear Sir:

In reply to your favor of March 26th, I am sending you copy of our balance sheet as of December 31st, 1917, and these are the figures of Price-Waterhouse Company who make our audit each year. The figures are taken from their audited balance sheet.

3697

The item "Laboratory Cost of Formulas" of $101,-000.00 is what we actually paid the Durant-Dort Carriage Company for their development work covering nine years, before we took over the business. Mr. Dort had been giving prizes, bonuses, etc., for the development of formulas, and this is the account as put in at the time the business was taken over.

Our Preferred Stock is 7% stock, par value, and the book value of our Common is $113.50. The sales of Common Stock have been very few and all at 200 or better. The stock in our Flint plant is held as follows:

PREFERRED:

J. N. Willys	2750	shares.
Mrs. J. N. Willys	1000	"
C. S. Mott	250	"
C. W. Nash	250	"
C. F. Stephenson (For Swift)	250	"
Mrs. R. C. Durant	275	"
W. C. Orrell	100	"
Geo. C. Willson	70	"
E. Strubel	27.5	"
A. Kratz	27.5	"
	5000	"

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COMMON:

J. N. Willys	5886.8	shares
W. W. Mountain	2261.6	"
C. F. Stephenson (For Swift)	315	"
R. S. McLaughlin	280	"
J. R. Mountain	180	"
E. Strubel	35.1	"
A. Kratz	35.1	"
C. W. Nash	1.8	"
J. J. Carton	1.8	"
W. T. Glidden	1.8	"
J. E. Kepperly	1	"
	9000	"

Our Toronto plant is the finest plant of its character in Canada. The Flint Varnish & Color Works of Canada, Limited, is incorporated for $350,000.00, $250,000.00 of which has been issued as follows:—

N. J. Willys	1260	shares
R. S. and Geo. McLaughlin	500	"
W. W. Mountain	740	"

We have been operating in Canada one year and have established a nice line of business and the plant has just reached the place where it is operating on a paying basis. Balance sheet as of February 28, 1918, is enclosed.

The plan I had in mind is simply as follows:

The Duponts had acquired the Harrison Brothers Company who make their own base materials, and with them the control of Cawley-Clark who are fine color

(1415)

makers, and the Bridgeport Wood Finishing Company. I do not know just what the latter make that would have any influence in the automobile game, but of course, they would have influence in the broader field of house paints, furniture, etc.

We make nothing but automobile and railroad finishes; paints, enamels, varnishes, etc. for the complete finishing operations on automobiles, railroad coaches and engines, but not freight car materials or depot paints or goods of such character.

We are now, and have been for a long time as you know, furnishing all the material for all the different constituent companies of the General Motors except the Cadillac, and for all the different plants of the Chevrolet, for all the Willys-Overland factories, and accessory interests. We also have all the business of the Nash, Hupp, Dort, and a number of other automobile manufacturers we furnish a part of their materials to, such as Packard, Dodge Brothers, and others, together with the business of quite a large number of automobile accessory manufacturers more or less connected with the automobile companies mentioned above, where our goods are specified, such as the manufacturers of bow-sockets, wind-shields, springs, speedometers, wheels, etc. Since the

war, we have been able to do quite a considerable amount of government business direct, in the sale of Spar Varnishes, Enamels, etc. We are also furnishing the Curtis Aeroplane people large amounts of material. Our railroad business last year was in excess of half a million. This is all good profitable business.

Some sort of a merger taking in the companies enumerated above, acquired by the du Pont's together with the Flint Varnish & Color Works, considering their position in the automobile and railroad trade, the splendid reputation we have on our line, the large, growing, established business we have on our lines on a profitable basis, our splendid financial condition, would, I believe, make the merged institution without any question the strongest paint and varnish house in the United States.

This plan would give the Harrison allied division whatever they need in liquids, such as driers, varnishes, etc., at cost. It would open up to us our materials such as leads, zinc, oxides, dry colors, etc., on the same basis and this would furnish a source of supply to General Motors, Chevrolet and Willys interests on the most favorable basis that could be arranged.

Then, it could be managed so as not to interfere with our building up and controlling a very large outside business. It would put us, for all sources of raw material, on the most favorable basis, would also put us in a favorable position to build up a very large railroad business or enter any other field of competition for paint, color, enamel or varnish trade.

Just the plan for bringing this about would, of course, have to be worked out by the interested parties. Just the amount of money required I could not tell until after taking the whole proposition up further with Mr. Willys. The last times I talked with him he simply told me to go ahead if I believed that it would be best for all of us. Of course, he would have to be interviewed further and a definite statement gotten as to just what he would want.

I will be very pleased to come to New York and go more into detail regarding anything further you wish to know, whenever you want me.

Yours very truly,

(S) W. W. Mountain.

WWM/S President."

Mr. Durant told Mr. Mountain that he felt the du Pont's would not consider a consolidation but suggested that they deliver control of the common stock to du Pont's letting Mr. J. N. Willys, who is the Willys-Overland Company, Mr. Mountain and the General Motors Company retain about a 20 to 25% interest in the common stock selling the rest to the du Pont Company at some fair price. Mr. Durant suggested $120.00 per share as being a fair price.

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"4"

I am enclosing copy of balance sheet as of December 31st.; also balance sheet of the Canadian Corporation as of February 28th. I am not certain whether the thought was to sell the Canadian Corporation stock on the same basis or not but I should think we ought to secure this also if possible.

I strongly urge and recommend that we make this investment and I am sending you nine copies of this letter in order that you may transmit it to the Executive Committee for consideration at their meeting on Friday should you so desire with your recommendations.

[Stamp] J. J. Raskob.

7/ET

FLINT VARNISH AND COLOR WORKS

Statement

December 31, 1917.

Assets.

Property Account:		
Land, Buildings, Machinery and Equipment (Less Depreciation)	507,403.39	
Laboratory Cost of Formulae	101,000.00	608,403.39
Goodwill, Trade Marks, etc.		495,000.00
Current Assets		
Inventories of Raw Materials and Finished stocks, at or below cost	438,993.31	
Accounts and notes Receivable, less Reserve for Doubtful Accounts	209,858.10	
Cash in Banks and U. S. Bonds	298,510.52	
Working Funds Advanced	27,559.15	974,921.08
Prepaid Insurance		3,584.75
		2,081,909.22

Liabilities

Capital Stock Issued:		
Preferred	500,000.00	
Common	900,000.00	1,400,000.00
Current Liabilities		
Accounts Payable and Accrued Pay Roll, Bonus, etc.	47,703.61	
Accrued Dividend on Preferred Stock	17,500.00	65,203.61
Surplus		616,705.61
		2,081,909.22

Statement of Operation, 1917.

Sales and Miscellaneous Income		1,934,000.36
Factory Cost of Goods Sold	1,307,574.18	
Commercial Expenses	213,740.09	1,521,314.27
Net Profits for 1917		412,686.09

3703

(1420)

FLINT VARNISH & COLOR WORKS OF CANADA, LIMITED

Balance Sheet

February 28th, 1918.

Assets

Current Cash Assets		$ 42,827.73
Accounts Receivable	$31,936.48	
Bills Receivable		
Cash in Bank	10,891.25	
Merchandise		98,951.44
Stores	68,231.16	
In Process	30,720.28	
Plant Account		228,049.86
Total Plant	247,103.43	
Less Depreciation	19,053.57	
Miscellaneous Assets		4,259.15
Working Funds Adv.	2,395.06	
Deferred Charges to Operation	1,864.09	
Total		374,088.18

Liabilities

Current Liabilities		116,949.56
Audited Vouchers	20,949.56	
Bills Payable	96,000.00	
Profit & Loss		2,893.63
Undivided Profits		10,032.25
Capital Stock		250,000.00
Common	250,000.00	
Total		374,088.18

FLINT VARNISH COMPANY

Distribution of Sales

	Varnishes		Enamels, Colors etc.		Total	Total
	1916	1917	1916	1917	1916	1917
Railroad	$116,184	$92,016	$203,900	$185,125	$320,084	$277,141
Trade	32,740	33,851	29,928	32,640	62,668	66,491
Manufacturing	268,042	376,739	838,523	1,219,965	1,106,565	1,596,704
	416,966	502,606	1,072,351	1,437,730	1,489,317	1,940,336
Detail of Manufacturing Portion						
Willys	96,577	112,416	264,761	307,936	361,338	420,352
Buick	62,720	98,857	300,848	392,557	363,568	491,414
Chevrolet	33,230	38,926	84,588	217,367	117,818	256,293
General Motors	25,756	63,394	61,834	94,204	87,590	157,598
Dort Motor Co.	8,428	12,744	32,242	31,597	40,670	44,341
Swift & Co.	1,285	2,603	2,315	1,080	3,600	3,683
General Mfg.	35,655	42,963	80,358	155,101	116,013	198,064
City Mfg.	4,417	4,836	11,576	19,235	15,993	24,071

3705 (14|22)

Description of Plant and Operation.

The plant, as shown in Exhibit H, is located at Flint, Mich. on the Pere Marquette Railroad and near the Buick plant. The larger portion of the buildings are fairly new, the old varnish plant being used only for storage. The buildings cover an area 540′ x 120′, completely occupying the lands as far as the storage yard. The yard is 180′ x 120′ and an unusual area of 360′ x 125′ is available for still further extensions.

The varnish plant has 24 fires, is thoroughly modern and up-to-date and is equal to if not superior to both Pratt & Lambert and Lowe Bros. The tank capacity for raw material storage is 268,670 gallons, and for finished stock is 272,047 gallons.

The color and enamel department is well laid out, machinery in excellent condition and the whole plant extremely neat and clean. A list of machinery is on hand but the mention of 48 Ross grinding mills and 13 roller mills indicates the extent of the accompanying equipment.

The plant is running 50% of capacity, giving ample room to take care of Harrisons Chicago needs and any increase in volume of goods without any equipment additions.

For the year ending December 31, 1917, the following figures show the output:

Pounds of paste, color, etc. manufactured	4,383,162
Pounds of Paste shipped	1,037,904
Gallons of enamel, etc. manufactured	793,370
Gallons of clear varnish manufactured	1,293,235

The plant carries a fire insurance rate of 20¢, as there is a complete sprinkler system, with elevated tower tank. Electric power is purchased. A complete testing laboratory is maintained, also excellent cost system.

There are 105 factory employes and 35 office employes. A considerable attention is paid to welfare work. While Mr. Mountain attends to all large sales there are ten salesmen who cover the manufacturing trade. No graft has been paid with one or two exceptions and for this reason the furniture trade is not very large.

It should be noted that the personal element of Mr. Mountain is the success of this company and the attention which he is able to give all departments is a real factor in their operation. No prices are made without his knowledge, no purchases without his general knowledge of prices, and at the same time he covers the important customers.

Another feature brings attention to the point of "service". All his salesmen are able to demonstrate their goods and are familiar with the needs and troubles of their customers.

As to deliveries, there are several trucks maintained for daily deliveries to the nearby factories. In fact, the motor car plants do not carry stocks but depend on the varnish

factory service daily. This will be still further improved when the proposed system of stone roads in that state is perfected. Deliveries can be made in Chicago over night as the freight car service out of Flint is excellent.

A list of quantities and kinds of raw material consumed is on hand and there will be an appreciable business for Harrisons goods, such as white lead, lithopone, and dry colors.

(3708-1424-, 28)

FLINT VARNISH AND COLOR WORKS, FLINT, MICHIGAN / OR WORKS, FLINT, MICHIGAN, U. S. A.

The largest Paint and Varnish Manu[illegible]

FLINT VARNISH COMPANY

Officers and Directors

President and General Manager —W. W. Mountain, Formerly with Murphy Varnish Company and then Varnish Sales Manager for Sherwin-Williams Company

Vice President—J. W. Kepperly—Attorney for Mr. Willys and President of Curtis Aeroplane Company

Secretary —D. A. Green—Purchasing Agent for company

Treasurer —F. H. Howard—Auditor for Company

Asst. Manager —W. J. Sohlinger. Formerly with Lowe Bros. then with Sherwin-Williams Company

Board of Directors:

J. E. Kepperly

C. W. Nash, President Nash Motors Company

J. J. Carton, local attorney for General Motors Co. and Flint Varnish Company

W. W. Mountain

D. A. Green

Main Office and Works—Flint, Michigan.

Branch Offices —96 Broadway, New York
605 Railway Exchange, Chicago

FLINT VARNISH & COLOR WORKS OF CANADA, LIMITED.

BALANCE SHEET.

February 28th, 1918.

ASSETS.

CURRENT CASH ASSETS		$42,827.73
Accounts Receivable	$31,936.48	
Bills Receivable		
Cash in Bank	10,891.25	
MERCHANDISE		98,951.44
Stores	68,231.16	
In Process	30,720.28	
PLANT ACCOUNT		228,049.86
Total Plant	247,103.43	
Less Depreciation	19,053.57	
MISCELLANEOUS ASSETS		4,259.15
Working Funds Adv.	2,395.06	
Deferred Charges to Operation	1,864.09	
TOTAL		374,088.18

LIABILITIES

CURRENT LIABILITIES		116,949.56
Audited Vouchers	20,949.56	
Bills Payable	96,000.00	
PROFIT & LOSS		2,893.63
UNDIVIDED PROFITS		10,032.25
CAPITAL STOCK		
Common	250,000.00	
TOTAL		374,088.18

Balance Sheet.

December 31, 1917.

Assets.

Current Cash Assets		20,597.23
Accounts Receivable	19,634.91	
Bills Receivable		
Cash in Bank	1,962.32	
Merchandise		85,691.99
Stores	57,247.15	
Sales Warehouse	28,444.84	
Plant Account		201,151.76
Total Plant	211,331.60	
Less Depreciation	10,179.84	
Miscellaneous Assets		3,425.14
Working Funds Advanced	2,067.68	
Deferred Charges to Operation	1,357.46	
Total		310,866.12

Liabilities.

Current Liabilities		85,523.69
Bills Payable	66,000.00	
Audited Vouchers	20,523.69	
Profit & Loss		25,657.57*
Capital Stock		250,000.00
Common	250,000.00	
Total		310,866.12

*Loss

Description of Canadian Plant and Operations.

The plant of the Flint Varnish & Color Works of Canada, Ltd., is located in West Toronto, Ont. Reference to Exhibit D' shows the general view. It is located on the Canadian Pacific Railroad and the land area is 296′ x 309′ or 91,000 sq. ft. An old sheet iron warehouse 72′ x 174′ – 195′ is ample for storage purposes. The former carriage factory building is mill construction and with some sharing of floors will take additional grinding machinery. It is 80′ x 224′ – 250′, and a diagonal corner rests on C.P.R.R. property, for which a nominal rental is charged.

In 1916 a new varnish plant with 16 fires was built, well laid out and constructed. The entire insurance rate is 25¢ and the plant is sprinkled. There is sufficient yard room for expansion and storage, but this is a long time in the future as the present plant is only 20% utilized as to capacity.

The staff and salaries are as follows:

Office	5	$5520 annually
Factory	15	10000
Salesmen	4	8700
Gen. Mgr. & Sales Mgr.	2	10000

The cost of sales is as follows for 1917:

Selling expense	$26,149.45
Selling management	4,470.78
Factory Cost	144,271.03
	$174,891.26

3713

Less Inventory excess	$9,273.03
	$165,618.23
Net sales	139,960.51
Net Loss	$25,657.72

The machinery equipment is in good shape and sufficient for business for sometime. There are two roller mills and 5 stone mills (Ross). Sixteen mixers of assorted sizes and about 7000 gallon storage for finished product and 120,000 gallon raw material storages.

The raw materials consumed have been listed as to kinds and quantities and offer a field for Harrison goods, although the total quantity is not large.

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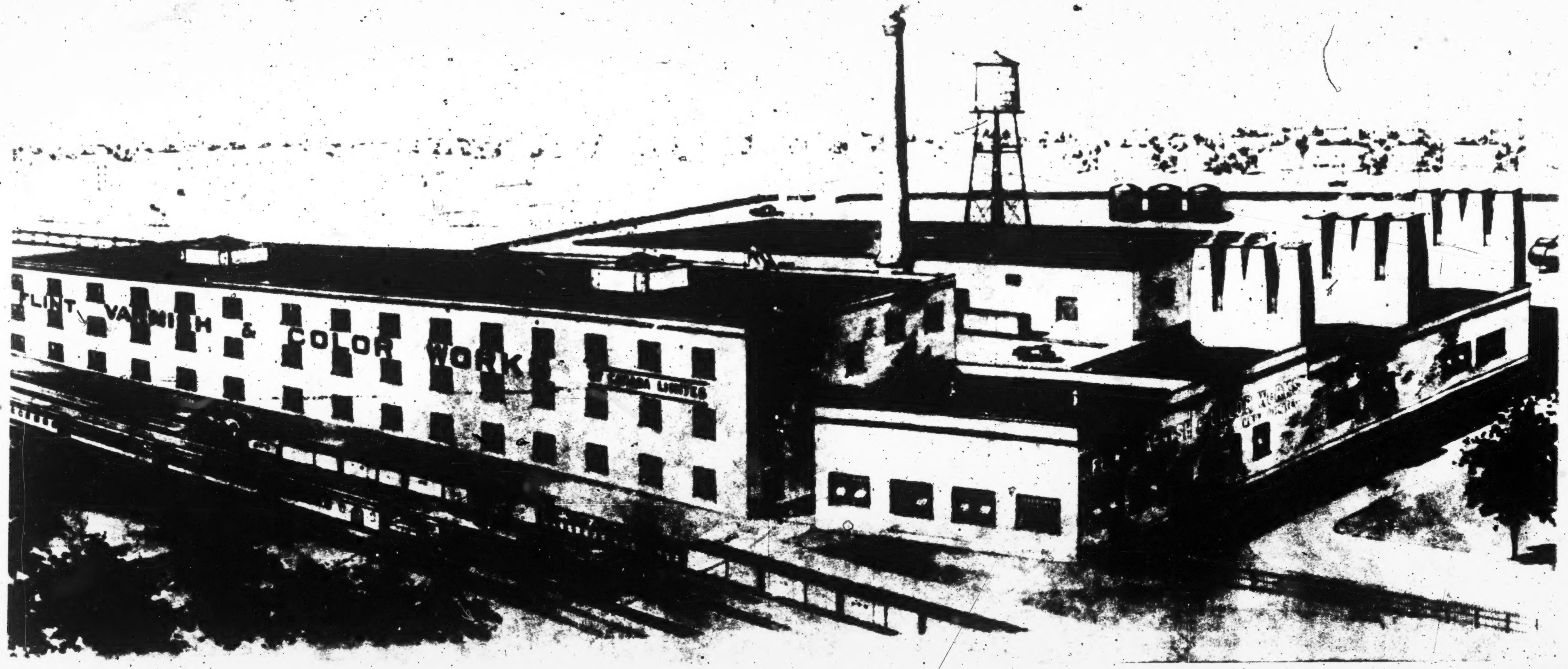
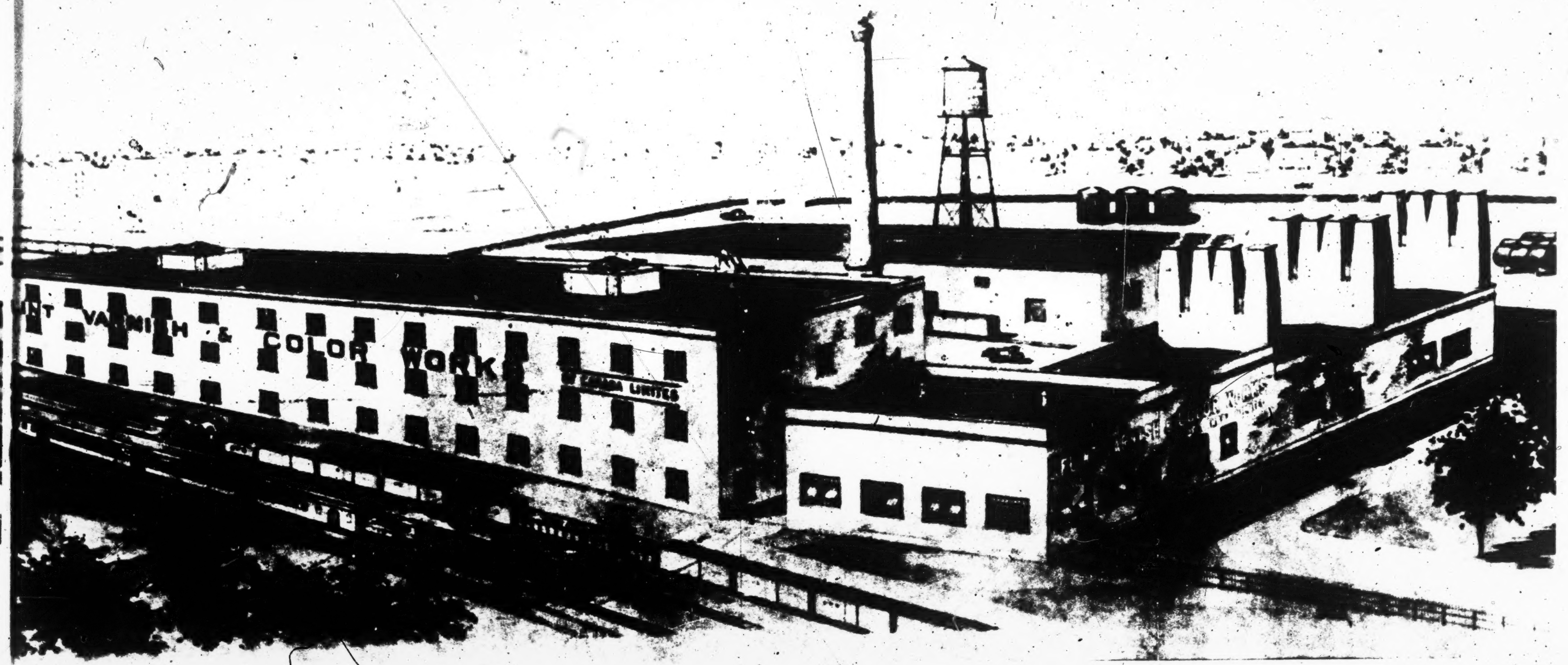


3711



NOTE: "gmc 1427" appears in the lower left-hand corner of each page. "Executive Committee Secy's No. 10499", "Return to Room 9059", and "Return to Executive Committee Room 9069" are stamped on the memorandum from R.R.M. Carpenter to the Executive Committee. "X" is marked before date on page 1. The following are marked with an "X" at the beginning and end:

Heading on page 1.
First paragraph on page 1.
Paragraph beginning at bottom of page 1.
Paragraph at foot of page 2.
Paragraph at top of page 3.
Stamped signatures on page 3.
First and second paragraphs on page 4.
Fourth paragraph on page 5.
Text on pages 14-15 (from the words "The plan I had in mind . . ." on p. 14) through the signature on p. 15.
Paragraph at foot of page 15.
Table on page 19.

The third paragraph of page 4 has a line drawn, and the letter "a." written, in the margin. The last paragraph on page 6 has a line and "b" in the margin. The last full paragraph on page 14 has a line drawn in the margin.

Wilmington, Delaware,
August 14, 1918.

EXECUTIVE COMMITTEE:

EXPANSION IN PAINT BUSINESS.

Referring to action of the Committee on August 12th, referring to the undersigned the question of the advisability of proceeding with the previously approved program for expansion in the paint business, involving a total additional investment of $2,500,000; would state that this question was discussed at the Sales-Operating meeting of Harrisons yesterday, and we report as follows:

We still feel that the paint business is a basic, profitable industry which, although disorganized to-date, is susceptible of rapid and great improvement if the large controlling concerns in the line handle the business in the proper way. We further believe that the du Pont Company can bring this about by moderate expansion as involved in the previously approved program.

In view of the fact that the paint business has many features of an essential industry and in view of the fact that the Government has full authority to curtail industrial activities where necessary, we feel that there is no reason, either patriotic or otherwise, why the du Pont Company should not proceed with expansion in the paint business, even though it involves construction. We realize that Government requirements upon the labor and material market and upon the du Pont Company may seriously interfere with the prompt carrying out of the program, but there is nothing to indicate that these factors would stop the

progress entirely.

We still feel that the previously approved program is the minimum to adequately take care of the demands, both

present and prospective, for paint material; and therefore recommend that the Committee renew their approval of the program involving $2,500,000, and authorize the purchase of the New England Oil, Paint and Varnish Company, as recommended by the Development Department in their report of August 8th.

Should the Committee not feel justified in proceeding with the program, we feel that it is most important that the construction project for expansion at Gray's Ferry (already authorized) be continued and that the New England Oil, Paint & Varnish Company be purchased in order to supply the New England trade, and in order to supply the Gray's Ferry plant with varnish vehicles, which can be done by water shipments. If these two items are carried out, the construction at Whiting, the enlargement at Chicago and the construction of a varnish plant at Paulsboro may be postponed without very serious injury to the paint branch of our business. It will be noted that this modification requires shipment of varnish from New England to Gray's Ferry, instead of supplying Gray's Ferry from the prospective plant at Paulsboro.

L. du Pont
Wm. Coyne
Committee.

LduP/MD

Note. Initials "L. du P." appear in pencil at top of left hand corner of first page of document. In top right hand corner appears stamp "Executive Committee Secy's No. 13030" and just below in pencil, the same initials "L duP." At bottom of first page appear stamps "Return to Room 9059" and "Return to Executive Committee Room 9069". This is the same document as G M C 1457.

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Government's Exhibit No. 279

3718

NEW ENGLAND OIL, PAINT & VARNISH CO., EVERETT

Continuing their efforts to build a Paint Department, the Committee, which consisted of Mr. Lammot du Pont and Mr. William Coyne, on August 14, 1918, wrote the Executive Committee that they felt that the addition of the New England Oil, Paint and Varnish Company would fit right into the expansion program "and the purchase of this plant is recommended solely for the part it will play in the general plan of the Du Pont Company along Industrial Paint and Varnish Lines. The Trade Sales or Dealer business which would come by this acquisition can be handled through the Harrison and Bridgeport lines as we will take over no stock of canned goods and an opportunity is presented to make a clean-cut start of Industrial Paint manufacturing. The excess manufacturing capacity which the plant now has can be immediately utilized which, under present conditions, is of considerable value to us."

The New England Oil, Paint and Varnish Company was purchased by the Du Pont Company on September 18, 1918 for $650,000, and the plant consisted of nine buildings, some of which were old but some quite modern. The plant was located in metropolitan Boston, in the City of Everett, situated on the double track line of the Saugus Branch of the Boston & Maine Railroad. A spur track of approximately 700' enabled several freight cars to be handled so that raw materials could be received in tank cars and pumped into adequate storage tanks. The main buildings were of brick and mill construction, all sprinkled. The varnish melting, boiling and thinning rooms were of fireproof construction. The walls of the office building, while one story in height, were strong enough to hold three additional stories. Electrical power was used throughout the buildings. The plant had a total capacity of one million gallons per year. Before the New England Oil, Paint and Varnish Company acquired the Everett Plant, it was formerly known as

the Everett Foundry, in which were manufactured castings for the frames of pianos. It is believed that these buildings were built somewhere around 1865.

The sales of the New England Oil, Paint & Varnish Company from 1914 to 1917 and for six months of 1918, along with the percent of earnings of the company, based on percent of sales, are shown below:

	Volume Sales	
1914	413,888.16	7.8%
1915	436,046.15	7.3%
1916	585,097.00	10.5%
1917	658,332.00	11.6%
1918 (June 30)	384,026.10	12.3%

The principal attraction of the New England business was the fact that the volume of sales was supposed to be largely Industrial, but apparently the term Industrial then was quite different from Du Pont's interpretation of the term today, because shortly after the business was acquired, it was learned that most of the New England Industrial Sales were special products made for private companies or large volume cheap items and did not represent the substantial type of paint-on product business which they term as Industrial business today. A breakdown of the 1917 business shows the following:

Industrial	$347,705.17	53%
Trade	174,435.17	26
Boston Store	62,408.88	9.5
Not Manufactured	73,782.78	11.5
Total	$658,332.00	100.0%

Of the $658,000 total, it is interesting that the largest item was Varnish, which amounted to $328,000, or almost 50% of their total sales. Paint was only $170,000, Putty $63,000 and Raw Materials and Miscellaneous approximately $100,000.

A picture of the companies which were consolidated into the New England Oil, Paint & Varnish Company is very interesting. It really was a combination of smaller companies, the principal firms

being: The Hoffman Paint & Varnish Company, Burbank & Ryder Company, Craftsman Chemical Company, and Richardson ana Bracket.

The Hoffman Company dates back to 1842 and it was a combination of smaller companies not in line of descent but rather because of changing connections and personnel.

The Burbank & Ryder business was even more interesting, and it is believed that Silas Burbank was one of the earliest varnish makers in America. It is said that this business began in 1825. Silas Burbank was one of the pioneer itinerant varnish makers whose "formulas" were carried "under his hat", and "factories" carried from place to place, perhaps in a covered wagon. He made varnish in a small copper kettle and Du Pont has somewhere in the archives the original kettle which he used. Silas Burbank and his son carried the business along until about 1877 or 1878, when Nathaniel F. Ryder joined forces and the firm name was then changed to Burbank & Ryder. Their plant was located at Charlestown, near Malden Bridge, and because this was near Bunker Hill, they sold their varnishes under the trade name "Bunker Hill Varnishes".

In 1911, Lyford A. Merrow of the Underhay Oil Company purchased the J. W. Hoffman Paint Company, and a few months later acquired the Burbank & Ryder Company. These two companies were combined under the name of the New England Oil, Paint and Varnish Company, and they moved to the Everett Plant in 1912, which is the property Du Pont acquired. At the time, this plant was regarded as one of the most modern Paint and Varnish plants in the country.

Of the personnel taken over at the time, A. H. Avery continued with the business until February 1, 1927, at which time he retired. Harry S. Chandler is now a Division Manager of Canadian Industries Limited.

Government's Exhibit No. 280

3721

To: Mr. W. S. Carpenter, Jr., Vice President

From: Development Department

March 15, 1920

Serial No. S-917

Paint and Varnish Situation and Outlook

The question of the advisability of further capital investment in the paint and varnish business has been brought up by the request of the Sales and Operating Departments for an investigation of the Chicago Varnish Company of Chicago, Illinois, with a view of possible purchase. The features of this particular purchase are presented in report of this Department No. S-920 and the present time is not inopportune to make a general review of our paint and varnish situation and an outlook for the future. Our present investment in the paint and varnish business totals approximately $7,400,000, divided into two portions, $6,000,000 in the Harrison group and $1,400,000 in the Flint Company. In the former case we have direct ownership and operation of the business and in the latter case we are over 90% stockholders and operate the business indirectly. In the Harrison case we are doing a business at present of $4,000,000 a year and losing at the rate of $489,000 per year, and in the latter case we are doing a business of $2,500,000 and earning at the rate of $189,000 per year. In the Harrison case our factories are well below

their rated capacity in production of Harrison business, while in the Flint case the facilities are taxed to

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the limit and overflowing into the Harrison plants and a request for additional facilities has been made.

The Harrison paint and varnish business has continuously shown a loss since our purchase:

	Gross Receipts	Loss
1917	$1,265,000	$109,000
1918	2,958,000	321,000
1919	4,016,000	489,000

The losses are before special adjustments which are purely financial and do not affect actual earning power. Inspite of these losses additional capital investment was made on a large scale, the items being the purchase of three additional businesses and plants all of which were operating at a small profit. The Flint business has been profitable since our purchase. Be the reasons as they may for losses of the Harrison group up to January 1, 1919, we find that there are no special factors for this last year which would adversely affect either Flint group or the Harrison group; in fact in both cases we have a very large demand for the goods. With particular respect to the Harrison group the demand was unprecedented in the history of the paint trade and our volume of sales was larger than ever before. For the year 1918 the Harrison group did a business of approximately $3,000,000 and lost $321,000. During that year,

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however, there were special adjustments, which losses did not occur in 1919. For the year 1919 then we find that without special losses such as incurred in 1918 we lost nearly $500,000 on $4,000,000 sales.

It was recognized by the Executive Committee practically a year ago that the Harrison paint and varnish was in a very unhealthy state and investigation was made at that time, the report somewhat later, showed what would be the proper conditions under which that business could satisfactorily exist, and recommendations made for the carrying out of the necessary changes. In the absence of reports showing the progress to date we may briefly show the present condition.

—4—

One year ago our total investment in the Harrison group was $5,000,000 and the business was about $3,000,000. It was recognized that this was a very unfortunate ratio and that the invested capital must be reduced. Accordingly it was determined at that time that on January 1st the invested capital must be $4,400,000 with a volume of business of approximately the same. The changes bringing this about were such that earnings of 10% would be realized on the invested capital. Without determining the question whether the recommendations were correct and not properly carried out, or whether the plans outlined were in error, the fact remains that the outlook for 1920 is slightly worse than the outlook for 1919 a year ago. Showing the above figures a little more in detail we have below:

Condition on March 31, 1919.

Cash	$394,000	
Receivables	500,310	
Materials & Supplies	1,207,496	
Finished Product	1,172,800	
Total Working Capital	3,274,606	
Permanent Investment	1,829,983	
Total Investment		$5,104,589

Predicted Figures January 1, 1920.

Cash & Accounts Receivable	$870,000	
Materials & Supplies	750,000	
Finished Product	900,000	
Total Working Capital	2,520,000	
Permanent Investment	1,800,000	
Possible Warehouse Additions	75,000	
Total		$4,395,000

Actual Conditions

Cash & Accounts Receivable	$1,429,670 —	
Materials & Supplies	1,241,066 —	
Finished Product	1,393,954 —	
Total Working Capital	4,064,690	
Permanent Investment	1,974,000 X	
Total		$6,038,691

The volume of sales we may conservatively assume for this next year at the same rate as 1919 which may be called four million dollars. Therefore, 15% net margin must be made on the gross receipts to get 10% on investment (ten percent has been reported as the best we can expect in this line although 15% is the expected return for du Pont capital invested in our own industries).

taking the gross receipts as a unit of one, we have the following table where all expenses are figured in percentages of gross receipts:

Year 1919.

Gross Receipts	1.000
Net Receipts required	.150
Balance	.850
Raw Materials	.721
Margin for doing business.	.129
Freight and Delivery	.055
Administrative	.015
	.070
Margin for selling and factory operation	.059
Selling Expense	.201
Factory Operation	.130
	.331
Excess Cost	.272

We may assume the raw material percentage is essentially fixed as the gross receipts will vary as the cost of raw

materials in this business. Having fixed the required net receipts, we have a margin left for doing business of .129. Assuming that freight and delivery is necessarily a fixed factor and administrative the same, we have a final margin left for selling expense and factory operation of .059. As a matter of fact, however, our selling expense actually was .201 and our factory operation .130, making a total of .331. It will thus be seen that we have an excess cost of selling and factory operation of .272. If we divide this excess between selling expense and factory operation on the basis that the two expenses now bear to each other, we find that selling expense would have to be reduced to .038, and factory operation to .022.

In the absence of an official forecast for 1920, we may assume these above figures as fairly representative of the situation to be expected under our present status so that we may figure an investment of six million dollars for one year, on which investment we may expect a loss of 8% or 12% on gross sales.

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Owing to the new method of transferring items at cost, this investment may be somewhat reduced but at the same time there will be a corresponding increase in cost of raw materials; so that the net analysis of profit remains about the same as long as we work on a percentage basis. It is also agreed that we have an excess investment in this group of $2,000,000. We are, therefore, interested in reducing this investment to a figure on which a satisfactory return can be made, and if the means can be found of converting this investment in some manner to give us a profit the project is worthy of considerable attention.

We feel, therefore, that on the basis ~~of~~ record and prospects the Flint business deserves additional facilities. The question remains how that can be best obtained without undue expenditure of capital.

We find that the Flint Company has been nominally operated by the du Pont Company under contract but actually has been running itself for the last year. The only reduction in organization or saving of importance has been the non replacement of Mr. Mountain in the office of president by another active man devoting his whole time to the business. The present operating contract of the du Pont Company for the year 1919 has shown a profit to us of \$133,631, that is the difference between the 18.72% payment agreed upon and our actual cost, which situation of course is unfair to the Flint Company and is under consideration for remedy. It will be well at this time to consider whether it is advisable to have any more than a few nominal charges for actual cost of services rendered by the du Pont Company to the Flint Company in view of this demonstrated ability to carry on a profitable paint and varnish business by itself. We, therefore, feel that the Flint Company should be given an opportunity to run quite independent of the du Pont Company, and in that case, the purchase of additional facilities for the Flint business should be made by the Flint Company, but as we are over 90% stockholders

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in that company we can properly consider the question of this capital expenditure. Similar data has been presented in Report No. S-920 showing that the Flint Company can furnish sufficient profitable business to operate another good sized plant.

We feel that the capital furnished by the du Pont Company for this purpose should not be additional to our present invested capital in the paint business but should be obtained by the liquidation of some of our excess assets and their conversion into a position whereby they will earn money instead of losing it as at present. It is apparent that about $2,000,000 should be liquidated from the Harrison paint and varnish investment and this may be partially accomplished in the following manner:

If the investment of $1,000,000 outlined in the Report No. S-920 is approved, then the Flint Company may borrow from us this amount on some suitable security. If so, then the Chicago Varnish Company's plant should be devoted exclusively to Flint business and inasmuch as our present Harrison plant in Chicago is devoting 75% of its capacity to exclusively Flint business, that business will naturally be transferred to their own plant. The Harrison plant in Chicago having lost money both before and after our purchase, will then be in a position of having only 25% of its capacity utilized and that on an unprofitable kind of business. We feel, therefore, that the grinding equipment of that plant should be sold to the Flint Company as it is grinding equipment they essentially require, and the buildings and real estate disposed of to outside parties. The Chicago Varnish Company plant being short of raw materials, there is an opportunity to still further dispose of the raw material stock in Chicago to Flint. Any desirable Harrison business handled in the Chicago plant can be transferred to Philadelphia. Liquidation of these Harrison assets will take care of a portion of the million dollars required and the balance can be taken

out of the other portions of the Harrison business, thereby calling for no additional capital.

This reduction should take place in any event as it has already been determined as desirable six months ago, that the Harrison investment should have been reduced by a million dollars instead of ~~increased a million~~, making the ~~total excess capital~~ tied up two million dollars at present.

In general we find that Flint needs only additional buildings and equipment and capital to obtain them, and therefore it is only on the basis of providing these that their problem should be considered.

Our problem on the other hand is the profitable utilization of our paint and varnish facilities and a step in the right direction for the solution of both problems lies in our disposal of the Harrison Chicago plant and the transfer of this present Harrison type of business to Philadelphia or to the Flint Company as a manufacturing proposition only, if they elect to accept any order from our Harrison branch.

We feel that the Chicago Varnish Company should be purchased for its plant and equipment only, if the terms can be satisfactorily arranged by the Flint Company, and that the necessary capital should be obtained from the du Pont Company. In turn the du Pont Company should obtain the necessary capital from the liquidation of a part of the present Harrison paint and varnish investment, and that no new capital be provided. If such a plan is adopted then the Harrison plant at Chicago should be sold.

If the purchase of the Chicago Varnish Company's facilities is not attractive, then our Harrison Chicago plant should be either sold or leased in its entirety to the Flint Company as only 25% of its facilities are now used by the Harrison branch of our business.

It should be noted that the general paint and varnish trade as typified by the present Harrison type of business has experienced a year of unusual volume of sales and prosperity, that

during that time, while other companies have enjoyed the fruits thereof, we have lost nearly one half million dollars, and therefore our apprehensions regarding this branch of our business for the last few years are still further augmented by this situation.

RECOMMENDATIONS:

We recommend that the Flint Company be divorced from the du Pont Company as far as management is concerned and that the business be carried on by an active president or general manager having sole charge of the conducting of the business, but matters of general policy be controlled by an active board of directors representing du Pont Company, and that we dispose of our Harrison Chicago plant to the Flint Company in case it does not buy the Chicago Varnish Company, and if it does buy the Chicago Varnish Company, that we dispose of the Harrison Chicago plant by the sale of equipment to Flint, and real estate and buildings to outsiders.

APPROVED BY: PREPARED BY:
[Stamp] FIN. SPARRE [Stamp] F. S. MACGREGOR

EXHIBIT "A"

PROPOSED METHOD FOR OBTAINING CAPITAL FOR PURCHASE OF ADDITIONAL FACILITIES FOR FLINT VARNISH AND COLOR WORKS.

	Additions to Capital	Reduction in Capital
Net purchase price Chicago Varnish Co.	$800,000	
Bonds Assumed	400,000	
Total	$1,200,000	
Additions and Improvements	100,000	
Sale of Harrison Chicago Plant		$150,000
Reduction in Harrison Working Capital within 6 months		1,500,000 X
Total	$1,300,000	$1,650,000
Allow Bonds to mature	400,000	
Portion as deferred payment from sale of Harrison plant		100,000
Net change	$900,000	$1,550,000

Reduction in paint and varnish investment $1,550,000 and $900,000 of which is transferred from an 8% loss to at least a 12% earning basis.

NOTE: The underscoring on page 2, the line on page 3, the short lines and the "X" on page 4, the line on page 6, and the "X" on page 10 are by hand. "gmc 1428j" appears in the lower left-hand corner of each page.

Government's Exhibit No. 281

37732

To —W. S. CARPENTER, JR., VICE-PRESIDENT

FROM—DEVELOPMENT DEPARTMENT

SERIAL No. S-920
MARCH 17, 1920

CHICAGO VARNISH COMPANY

INTRODUCTION:

On December 23, 1919, Mr. F. W. Pickard, Vice-President, prepared a report for the Executive Committee (#2112) on the subject of additional capacity for the Flint Varnish and Color Works. By way of obtaining such capacity, the purchase of the Mountain Varnish and Color Works at Toledo, Ohio, was suggested. On December 29, 1919, the Executive Committee referred the matter to the Development Department for attention.

Underlying reasons for acquiring additional capacity are;

(a) A considerable volume of General Motors business was being diverted to competitors, Mr. Durant estimated that the requirements of this company (in colored varnish) would increase very rapidly and requested protection from the du Pont Company.

(b) Purchase of the Mountain Plant in which Mr. J. N. Willys was largely interested, might be effected in such was as to obtain a large part, or all, of the Willys-Overland business.

(c) The Flint Varnish and Color Works, which are advantageously located for industrial sales, were operating at about capacity. In addition seventy-five per cent of Chicago Harrison's capacity has been allotted to Flint business. The protection desired by Mr. Durant, therefore, is not readily available from existing capacity.

Consultation at various times between Messrs. Durant, Haskell, Pickard, Meade and Sohlinger disclosed that the selection of additional capacity should not be influenced by the prospect of obtaining the Willys-Overland business. This point

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was strongly emphasized by Mr. Durant, who with Mr. Meade and Mr. Sohlinger favored Chicago as the proper location for expansion—both for General Motors requirements and other industrial sales.

Consideration of the Mountain Varnish and Color Works at Toledo was therefore discontinued. For some time a rumor had been current in the trade that the Chicago Varnish Company might be purchased. Because of the reputation and location of this company it was felt advisable to investigate the matter futher.

CHICAGO VARNISH COMPANY:

The company is an Illinois corporation (1883) which succeeded a partnership established in 1867. The plant is located at 2100 Elston Avenue, Chicago and occupies a tract of land of 306,400 square feet. The number of buildings is twenty-five with an aggregate floor area of 133,000 square

feet. Construction is entirely of brick and timber — of the "slow burning type". The plant has its own siding which is served by the Chicago and Northwestern Railway. The location of the real estate and the condition of the buildings are excellent.

The capacity of the plant based on a forty-eight (48) hour week is:

Varnish	— 700,000	gallons	per	year
Paint	— 500,000	"	"	"

Additional mills are being installed in the paint department which will bring the capacity up to 800,000 gallons per year.

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Storage capacity is:

Varnish	434,400	gallons
Oils	122,400	"
Turpentine, etc.	208,400	"

Reference is made to the report of the Production Department, Exhibit "E", attached for a detailed description of the plant and to the appraisal of the American Appraisal Company, Exhibit "B", for a full list of equipment.

Offer to Sell:

With the assistance of Mr. F. A. Wetmore, President and Mr. A. W. Newton, Vice-President, of the First National Bank of Chicago, the question of selling was opened without direct approach from us. Through the efforts of these gentlemen, the writer, on February 25th last, met the following officers of the Chicago Varnish Company:

O. H. Morgan, President
R. K. Buckman, Vice-President

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A. C. Morgan, General Manager
W. M. Turner, Treasurer

A. C. Morgan is the son and R. K. Buckman the son-in-law, of O. H. Morgan. The latter gentleman is 85 years of age and the only member of the firm who knows the factory side of the Paint and Varnish business.

While the meeting was intended to be entirely informal, it quickly developed that the Morgans would sell and that the family controlled the ownership of the business. The price mentioned was $1,600,000. for either the business or stock — and existing mortgage of $400,000. to be assumed by us. The elder Morgan stated that the price quoted contemplated payment in cash and that the real estate and plant could not be bought without the business and good will of the corporation. Great difficulty was experienced in obtaining information regarding the condition of the corporation although subsequent meetings

were partially successful in overcoming this attitude.

Balance Sheet
Chicago Varnish Co.

Reference is now made to Exhibit "A" which is a balance sheet of the corporation as of December 31, 1919. This statement shows a net wroth of $1,407,577.12, as follows:

Total Assets		$2,350,939.94
" Liabilities & Mortgage		943,362.82
NET WORTH		$1,407,577.12
Capital —	$1,270,067.00	
Surplus —	137,510.12	$1,407,577.12

The price suggested ($1,600,000.) is, therefore, approximately $200,000. in excess of the net assets — assuming all of the latter to be sound. Inspection of the balance sheet and of the writer's notes attached thereto will show that none of the assets, excepting plant, equipment and certain real estate, would be of interest to the du Pont Company.

Appraisal of Plant:

Attention is also invited to the appraisal of May 31st, 1919, Exhibit "B" and "C", in which the following values are set forth:

Land	$308,800.00
Buildings	380,604.00
Machinery and equipment	220,628.00
Office furniture, etc.	12,080.00
Automobiles	5,951.00
	$928,063.00
Building, S. E. Cor. of Dearborn Avenue and Kinzie Street	92,918.00
TOTAL	$1,020,981.00

The items of immediate interest to the du Pont Company are those comprising the total of $928,063.00, although the office building and real estate if purchased, could probably be sold at the appraisal value. It should be noted that the

Kinzie Building is located three (3) miles from the plant and is rented for general office purposes, the Chicago Varnish Company occupying no part of it.

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The property above noted is not carried at its appraised value on the 1919 balance sheet. For example, the plant and equipment is appraised at $928,063.00 and is carried on the balance sheet at $773,509.91 (total capital assets $712,-734.91 plus cottages $60,775.00). Mr. Morgan stated that the company felt it conservative to carry the buildings at less than their appraised value and this has always been the company's policy.

The values placed on the plant buildings ($380,604.) have been checked and vary from $2.00 to $3.00 per sq. foot of floor space. The replacement cost, based on present day prices would be between $4.00 and $4.25 per square foot. The appraisal, considering depreciation, is undoubtedly very fair.

Comparison with
Flint Investment:

The Chicago Varnish Company's plant is rated by the Production Department at 80% of Flint capacity. The Flint business, with plant operating at practically 100% capacity, is now averaging $250,000. per month. It is the belief of the Production Department (expressed to the writer) that the Chicago Varnish Company, if acquired, could readily obtain a volume of business equal to 80% of the Flint sales or $200,000. per month. In order to compare an investment in the Chicago Varnish Company with our present investment in the Flint Varnish and Color Works, it is necessary to make the following assumption:

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"During the first year of operation by us the volume of business obtained by Chicago Varnish

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Company would be:

1st six months	....	50% of Flint Sales
2nd " "	....	80% " " "
Average for first year	....	65% " " "

Thereafter, the volume of business obtained by Chicago Varnish Company would equal 80% of Flint sales with approximately the same percentage of profit as now made by the Flint Plant."

Flint Net Return	$ 56,849.08
Excess charged by du Pont Company under 18.72 contract	133,631.62
Net Operating Profit 1919	$190,480.70
Gross Sales 1919 .... $2,532,419.00	
Profit on sales = 7.52%	

The du Pont Company's investment in Flint Varnish and Color Works is $1,419,568.00 which is equivalent to 94% of the total stock issued. Our share of profits is, therefore, 94% of $190,480.70 or $179,051.85. For the year 1919, the du Pont Company's return on the Flint investment, using the above distribution of profits, was 12.5%. The total investment in Flint Varnish and Color Works at the price paid by the du Pont Company for its stock is $1,580,000. and the return on this investment ($190,480.70) is 12%.

Taking a five year period of operation and keeping in mind the assumption just made, the purchase of Chicago Varnish Company would show as follows:

1st year — 65% of present Flint sales	$1,950,000.
Next four years — 80% of present Flint sales.	9,600,000.
First five years (total sales)	$11,550,000.
Average sales per year	2,310,000.
Average profit at 7.52%	173,712.
Capitalization of profit at 12%	1,448,100.
" " " " 12.5%	1,378,600.
" " " " 15%	1,148,800.

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It thus appears that if 15% is considered a proper return on the Paint and Varnish business, the purchase of the Chicago Varnish Company would be warranted at a price not exceeding $1,148,800 provided this sum includes adequate working capital. The latter (based on Flint working capital) is estimated to be $600,000. which leaves $548,800. as applicable to the plant and equipment.

As the plant is carried on the balance sheet at $773,509.91 (capital assets $712,734.91 plus cottages $60,775.00) it does not appear probable that a purchase can be made on this basis. However, by eliminating certain assets and assuming the existing mortgage, as is shown later, it is possible to acquire the plant and provide adequate working capital with a net return of about 12%

Existing Mortgage on Plant:

The existing mortgage of the company amounting to $400,000. is a lien on the real estate, buildings, machinery, equipment, trade marks and good will. The Central Trust Company of Illinois is Trustee under the mortgage by indenture dated August 1, 1919 but not executed until September

5, 1919. The bonds bear interest at the rate of 6% per annum payable on February 1st and August 1st and are subject to call and redemption on any interest day at 102 and accrued interest.

The effect of this issue, assuming the bonds are not retired, is as follows:

Year	Bonds Outstanding	Annual Interest	Bonds Maturing Aug. 1st each Year	Total Annual Payments
1919-20	$400,000.	$24,000.	$10,000.	$34,000.
1921	390,000.	23,400	20,000.	43,400.
1922	370,000.	22,200.	20,000.	42,200.
1923	350,000.	21,000.	25,000.	46,000.
1924	325,000.	19,500.	25,000.	44,500.
1925	300,000.	18,000.	30,000.	48,000.
1926	270,000.	16,200.	30,000.	46,200.
1927	240,000.	14,400.	30,000.	44,400.
1928	210,000.	12,600.	30,000.	42,600.
1929	180,000.	10,800.	180,000.	190,800.
Totals		$182,100.	$400,000.	$582,100.

Less Interest Paid February 1, 1920	12,000.
Total remaining payments	$570,100.
Average per year	57,010.

A purchase subject to this mortgage must contemplate average annual payments on account of principal and interest of $57,010. for the next ten years. The establishment of a sinking fund would reduce the annual payments somewhat but for the purpose of illustration this refinement is thought unnecessary.

Additional Capital Investment:

It will be noted from a report of the Production Department that improvements estimated at $120,000. will be necessary to bring the Chicago plant up to the same operating efficiency as the Flint plant. It is assumed that the Chicago Harrison plant would be sold if the Chicago Varnish Company were purchased. The Real Estate Department estimates that between $100,000. and $125,000. could be realized from the sale of the land and buildings comprising this plant. The proceeds of such sale might properly be applied as a credit against the cost of improvements recommended by the Production Department.

SUMMARY:

It is believed that the best way in which to acquire the plant of the Chicago Varnish Company would be to purchase the net worth on the basis of the balance sheet (subject to such deductions as our investigation might require). The present owners

could be permitted to sell for their own account the following assets:

Kinzie Building	$113,150.83
Stocks and Bonds	108,706.87
Notes Receivable	37,295.36
Interest "	725.39
Liberty Bonds	85,634.00
Cash	17,436.92
Varnish Finished	143,300.37
Paint Finished	137,659.68
Printed Matter, etc.	12,000.00
Total	$655,909.42

It is believed that a further reduction of assets may be possible (deferred charges $84,112.23 for example) but the above list includes those which appear capable of quick conversion.

	Net Worth	$1,407,577.12
	Less Deductions	655,909.42
Price Paid To Present Owners	→ ~~Assets Purchased by du Pont Co.~~	$ 751,667.70
	Add Mortgage	400,000.00
	Total PURCHASE PRICE	$1,151,667.70
	Or in round figures say	$1,152,000.00

The assets thus acquired will consist of the following:

(a)	Total Purchase Price		$1,152,000.00
	(Less Plant	$712,734.91	
(b)	(" Cottages	60,775.00	773,509.91
(c)	Accounts Rec. Inventory, etc.....		$ 378,490.09

The total project now becomes:

Total Purchase Price	$1,152,000.00
Plant Improvements—Production Department's report...	120,000.00
	$1,272,000.00
Credit by sale of Chicago Harrison's Real Estate.........	110,000.00
	$1,162,000.00
Additional Working Capital to bring (c) up to $600,000...	232,000.00
TOTAL INVESTMENT...	$1,394,000.00

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The final result of a purchase on this basis will depend on the manner of financing. If the mortgage of $400,000. be deducted from the total investment, $1,394,000., and the remainder, $994,000., be represented one-half cash and one-half debenture stock issued at $88., the following results would be obtained:

6% First Mortgage Bonds...	$400,000.	
5648 Shares Debenture Stock @ $88.	497,024.	
Cash	496,976.	
	$1,394,000.	
Discount 5648 Shares Debenture Stock @ $88.	67,776.	
Total Investment	$1,461,776.	
Profit based on 80% of Flint Sales......		$173,712.
Annual payments a/c Int. and Maturity of Bonds.......	$57,010.	
Interest on 5648 Shares Deventure Stock @ 6%.........	33,888	
Total Fixed Capital Charges per Annum	$90,898	90,898.
		$82,814.

Which is equivalent to a return of 16.7% on the cash portion of the investment and 11.8% on the total investment of $1,461,776.

Much uncertainty exists as to the acquisition of the plant of the Chicago Varnish Company on the above basis. It has been assumed that sufficient incentive to sell exists by reason of the poor condition of the business of the company and this assumption may prove to be incorrect. In this connection, reference is made to Exhibits "D" and "F" as throwing further light on the condition of the company's affairs.

—12 & 13—

RECOMMENDATIONS:

Subject to approval by the Executive Committee of the question of policy involved in acquiring additional paint and varnish capacity at this time, it is recommended that purchase be made of the plant and business of the Chicago Varnish Company less certain undesirable assets which would be retained by the present owners as set forth in this report.

Authority is, therefore, requested to negotiate on the basis of a maximum purchase price of $1,152,000., which, by assuming the existing mortgage of $400,000. will leave a net balance of $752,000. Payment of approximately $500,000. of this sum to be made in debenture stock at not less than $88. per share and the remaining $252,000. in cash.

Only approved Acts. Rec. & Def. Charges to be acquired—subject to payment in full as and when collected. The initial payment at the time of transfer of the business will accordingly be materially less than $252,000—probably one half of this sum.

It is understood that the Development Department will endeavor to obtain better terms, if possible, and that this

subject will be again referred to the Executive Committee for final rejection or approval.

APPROVED BY:
[Stamp] FIN. SPARRE

PREPARED BY:
[Stamp] E. M HOOPES

NOTE: "gmc 1429c" appears in the lower left-hand corner of each page. The correction on page 10 is by hand. The italicized material on pp. 12 & 13 is written by hand in the margin with an arrow indicating that it should be inserted before the last paragraph.

Government's Exhibit No. 282

3746

Serial No. S-917

March 18, 1920

EXECUTIVE COMMITTEE

Building

Gentlemen:

PAINT AND VARNISH SITUATION —
CHICAGO VARNISH COMPANY ——

An investigation has been made of the Chicago Varnish Company relative to possible purchase of same, this subject being covered by our report (Serial No. S-920—March 17th) which has been transmitted to the Executive Committee today.

In considering the question of a possible purchase of this Chicago Company it seemed that it would not be sufficient to submit only a report on such possible purchase and its use in connection with the Flint Company's operations, but in order to give proper consideration to this subject it was felt desirable to submit simultaneously a review of the paint and varnish situation with particular reference to the influence of a possible purchase of the Chicago Company on the du Pont Company's paint and varnish industry. The report on the possible purchase of the Chicago Company has been prepared by Mr. E. M. Hoopes, Jr. who made the investigation in connection therewith and the attached report on the general paint and varnish situation has been

prepared by Mr. F. S. MacGregor who is particularly familiar with this subject. These two reports are submitted instead of one report because it was found that a good deal of time could be saved in presenting the subject to the Executive Committee by having two members of the Development Department work on the subject.

As a result of the study made of this subject it is recommended that viewed by itself as a going company the purchase of the Chicago Varnish Works cannot be justified on any possible

—1a—

earning basis, and even in conjunction with the Flint Company it is very questionable whether an investment in the Chicago Varnish Company would be justified.

However, it is believed that the purchase of the Chicago Varnish Company may be justified under certain conditions, these being that the purchase be made by the Flint Company which would operate same strictly in conjunction with its business so that similar earnings should be obtained from the Chicago operations as would be obtained by the Flint factory, and further it is considered an essential condition that the investment in the Chicago Varnish Company would be justified only if the present Harrison Chicago plant would be sold and its business transferred entirely to the Flint Company for operation as judged best by the latter. Finally it is considered essential as a justification for this capital investment in the Chicago Varnish Company that the investment in the Harrison paint and varnish line should be reduced in accordance with the recommendations of the report to the Executive Committee on July 17th (Secretary

Serial No. 1162) from the special sub-committee (Messrs. F. W. Pickard, C. A. Meade, and W. S. Carpenter, Jr.)

It is recommended that on these conditions a purchase of the Chicago Varnish Company would be justified because it seems possible to effect the purchase and make a decided improvement in the present plant and business situation without any net increase in the du Pont Company's investment in the paint and varnish industry. In other words, the Harrison Chicago plant would be exchanged for the desirable plant of the Chicago Varnish Company, and the present unprofitable business could be eliminated, in its place enlarging the profitable Flint business. It is clear however, that there would be a capital expenditure during March or April but a corresponding or even larger amount of money should be recovered as an essential part of this project during the second and third quarters of the present year through

—1b—

liquidation of a substantial portion of the Harrison paint and varnish business.

If the conditions for such purchase of the Chicago Company mentioned above are not found acceptable or possible, then our recommendation is that the purchase should not be made.

If it should be decided that the Chicago Company should not be purchased, then it is recommended that the du Pont Company should sell its Harrison Chicago plant and business to the Flint Company.

It is to be noted that we know the Chicago Varnish Company is for sale and can be bought at a fair figure, but exact terms have not been negotiated pending the Com-

mittee's approval or rejection of the proposition as a matter of policy.

Yours very truly,

[Stamp] W. S. Carpenter, Jr.
Per FSp.
Vice President

Note: "gmc 1428j" appears in the lower left-hand corner of each page. Lines in margin on pages 1 and 1a are by hand. "Executive Committee Secy's No. 2595", "Return to Room 9059", and "Return to Executive Committee Room 9069" are stamped on first page.

Italics indicate handwriting.

Government's Exhibit No. 283

E. I. du Pont de Nemours & Company
Incorporated

ADVICE OF ACTION

March 23, 1920.

Mr. W. S. Carpenter, Jr., V.P.
Attention of Dr. Fin Sparre.
Copy to Messrs. W.C.Spruance
C.A.Meade
F.W.Pickard

SUBJECT: Paint and Varnish Situation—Question of Purchasing the Chicago Varnish Company:

ACTION TAKEN BY: Executive Committee

AT MEETING: March 22, 1920.

REMARKS

The following resolution was unanimously adopted:

Whereas, the business of the Flint Varnish & Color Works now exceeds present plant capacity, with accompanying difficulties in giving suitable service to customers; and

Whereas, there is no possibility of plant expansion at Flint, and Chicago offers a better location for plant expansion in the business of the Flint Varnish & Color Works than Flint; and

Whereas, present estimates point to a return on the investment of twenty to twenty-five per cent. (20% to 25%)

for the year 1920 on the Flint Varnish & Color Works business; and

WHEREAS, it is believed that this prospect indicates an improvement in the status of the varnish industry, thus causing this Committee to feel that it can look with confidence upon a permanent average return on the investment in the Chicago plant of fifteen per cent (15%);

RESOLVED, that report from the Development Department dated March 18, 1920 (#2596), re question of purchasing the Chicago Varnish Company, be accepted; that the recommendations contained therein be approved, and that the Development Department be authorized to negotiate on the basis of the terms stated in said report;

RESOLVED FURTHER, that report from the Development Department dated March 18, 1920 (#2595), re general paint and varnish situation and the question of purchasing the Chicago Varnish Company, be accepted and ordered filed, and that it be again brought before this Committee when final report is received from the Development Department.

[Stamp] M. D. FISHER
Sec'y. Executive Committee.

3.

NOTE: "gmc 1429" appears in the lower left-hand corner of each page. "Return to Room 9059" (with a pencil line through the number) and "Return to Executive Committee Room 9069" are stamped on the document. "X-1008-F" is written in the upper right-hand corner.

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Government's Exhibit No. 284

3752

Serial No. S-926

April 7, 1920

EXECUTIVE COMMITTEE

Building

Gentlemen:

I am attaching hereto report No. S-926 on the subject of the purchase of the plant and certain other assets of the Chicago Varnish Company. These negotiations resulting in the situation presented were instituted and carried on by this Department at the joint request of the Sales and Operating Departments. On the subject of earnings, certain data is set forth to show the result under certain conditions to these figures, but the Committee should not construe that presentation as being a forecast by this Department of the conditions to be hoped for. This entire project has been taken up quite hurriedly, the understanding being that this Department should provide readily available capacity and not that it should endeavor to justify the acquisition of such capacity.

You will note in the report that certain recommendations are made by this Department of a general nature regarding our paint and varnish industry. This Department as the result of a careful study of the subject of our paint and varnish industry over the course of a couple of years or more has been consistently opposed to the expansion of that business along the lines on which it has been conducted. Our position has been set forth strongly in a number of reports heretofore but we believe very unfortunately for the Company, the expansion has continued along these, to us, ob-

jectionable lines. Briefly our opinion is that in the so-called trade sales and small in-

—1-a—

dustrial business there is not to be made a profit to attract our capital, but in spite of all which we have been able to do we continue dumping hundreds of thousands of dollars into that very business, and unfortunately have suffered staggering losses.

If the additional facilities afforded by the acquisition of the Chicago Varnish Company will result in our further extending our efforts in the present Harrison paint line, we are strongly against it, inasmuch as we see no prospects of the profits on the better class paint and varnish industrial business being sufficient to off-set the shortcomings of that business and the trade sales and small scale industrial business.

The attached report as above stated, will show a calculation of a return on our prospective investment in Chicago under certain hypothetical conditions. We have been advised by the Sales Department that they have in prospect very heavy increased orders from the General Motors and other automobile companies, which has prompted their interest in an additional plant. We have seen no calculations of the amounts of this business in prospect so cannot even hazard a guess at the percent of capacity at which the new plant will be operated. There is undoubtedly a demand at present in excess of our ability to supply from Flint. This new plant, however, will afford facilities for manufacturing about 80% of Flint capacity. To expect to fill up this capacity at once and continue that plant with such an amount of orders seems a little too sanguine. The present prices of the products are unprecedented in recent years at least, and

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basing the profit on the turnover at these prices also seems a little too hopeful. The resolution of the Committee in considering this same matter on March 23rd stating that "whereas present estimates point to a return of 20 to 25% on the Flint varnish and color business should indicate a permanent average return on the investment in the Chicago plant of 15%", is also in my opinion an optimistic hope.

If the Executive Committee is in sympathy with

—1-b—

the recommendations in the attached report regarding the general policy to be adopted in our paint and varnish industry, I am inclined to favor the acquisition of this Chicago plant, as I believe that the resulting advantages will, together with the benefits from the Chicago operations, and our obligation to our principal customer, the General Motors Company to take care of their requirements, warrant this expansion. If on the other hand this new plant is to serve as an instrument to increase our present type of trade sales and small industrial business, I am very much opposed to it.

Yours very truly,

[Stamp] W. S. CARPENTER, JR.
VICE PRESIDENT

NOTE: "gmc 1428i" appears in the lower left-hand corner of each page. The lines on pages 1-a and 1-b are by hand. "Executive Committee Secy's No. 2728" and "Return to Room 9059" are stamped on the first page.

November 4, 1921

IRENEE DU PONT, PRESIDENT

In accordance with your request of October 26th, I have asked Mr. MacGregor to review his several reports on the paint industry made in the last five years and present herewith that information.

In 1915 it was apparent that the duPont Company would be left with large excess plants on its hands should the war end in 1917, as was considered a possibility at that time. In order to utilize to most advantage these excess plants as well as such employees as it would be desirable to continue after the war was over, the Development Department was authorized to make a general study of possible new industries, in which the duPont Company could advantageously and profitably engage. Consideration was given to many varied lines but it was felt that a policy of becoming interested only in lines which were allied to the activities of the duPont Company would be the best. Accordingly the chemical industry was given first consideration, as the Company already was a large manufacturer of chemicals and particularly of acids.

The paint and varnish industry was also given careful consideration at the same time for two reasons. It was a consumer of pigments and colors which were in turn consumers of acids and lakes. The lakes would be received from a possible entry into the dye business. Linseed oil, a chief ingredient of paint and varnish, would be received from a possible vegetable oil industry. The other reason for con-

sidering the paint and varnish business is the fact that in 1916 the condition of the

paint and varnish business was very similar to the dynamite business previous to 1903. It was made up of many small manufacturers and some large but all on a very keen competitive basis, using a multiplicity of brands, labels, shades and containers. The average earnings of the industry over a period of years while not large had at least been consistent and most of the large paint concerns had built up large assets from earnings. It was apparent then there was opportunity for consolidation and economy in such an industry, as there were no particular secret processes, patents or other causes which would interfere with a new concern engaging in that business, but that the advantages of careful business management on a large scale would be fully realized.

There was only one large paint concern; namely, Sherwin-Williams which worked from the raw material clear through to the finished product and they were the most successful of all the companies. They combined also a chemical and color business and one of the policies of the duPont Company has always been a satisfactory control of its raw materials and an effort to market its products direct to the consumers.

Consideration was given to the embarking on our new lines by the formation of new departments and the acquiring of the necessary talent versus the purchase of going concerns. It was decided that the purchase of going concerns on a reasonable asset basis gave us the best foundation for future development as well as an immediate position in the business, which could not be obtained under several years' intensive development from a new start.

Examination of various possible companies indicated that the best opportunity seemed to be in Philadelphia through the purchase of Harrison Bros. & Co., Inc.

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That concern formerly had a very large and successful paint business but had neglected it since 1914 for the more profitable war chemical business. It had, however, the nucleus for us to start in three lines; namely, heavy chemicals, lithopone and paints & varnish, and plants in Philadelphia, Pa., Newark, N. J., Paulsboro, N. J., Camden, N. J. and Chicago, Illinois. It was not contemplated that we would immediately take hold of a dry color business but owing to the stock ownership of the Beckton Chemical Co., manufacturers of lithopone, being equally divided with Cawley-Clark & Co., Newark, N.J., it was felt advisable to immediately purchase the other half of the Beckton Chemical Company's stock. This resulted in the acquisition of the whole of the Cawley-Clark Company.

It was expected that further development of these companies would take place at one or more of our war plants and that we would gradually transfer the business; but the entry of the United States into the war and its further continuance prevented any utilization of our war plants in the manner above described. It was necessary to make our development on the properties purchased.

Further development of the chemical end was deferred, as immediately the acid capacity of the Harrison Company was placed at the disposal of our military requirements, and we therefore did not attempt to develop an outside business. The development of the dry color end was logical along the lines of lakes, as this country did not have much of an

industry for the manufacture of lakes, and it was expected that our dye plants would include a line of dyes suitable for lake manufacture. However, as the development of the dye business proceeded, other dyes were developed and further expansion of the color business was not possible.

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The remaining line of development was the paint and varnish business and steps were taken to increase this business.

It happened that the entry of the duPont Company into the paint business through the acquisition of Harrison Bros. created some furor in the paint trade and we had the opportunity to examine some twenty or thirty paint companies, which offered themselves for sale. The Bridgeport Wood-Finishing Co. was one of the early ones and was favorably recommended, because it did not involve the purchase of additional plant facilities but gave us additional agencies and distributors, which at that time Harrison Bros. & Co., Inc. needed. It also offered a new plan of merchandising, which in view of the disadvantages of the methods in force by all the paint companies indicated an opportunity for considerable improvement.

About the end of 1917 and the early part of 1918, our own figures on our conduct of the paint business began to show such losses that we were hesitant to taking on additional companies, particularly as the business of many of these companies was entirely a trade sales proposition, which was exactly the class of business which Harrison had. Examination of many of the concerns offered to us showed that some of the concerns which had a large amount of industrial business were very much more profitable and in the purchase of the Flint Varnish & Color Works, Flint,

Mich., we obtained a company which was 100% industrial sales and a very satisfactory earner. Based on this class of business we purchased the plant and business of the New England Oil Paint & Varnish Co. of Everett, Mass., which had both classes of trade, but the majority was industrial sales. This industrial business was immediately allowed to slip from our hands and our sales efforts concentrated on trade sales.

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Our losses in the paint and varnish business continued to be large in 1918 and with the acquisition of this last company we were practically forced to discontinue any efforts towards further expansion of our paint and varnish business by the purchase of going concerns. At the beginning of and during 1918 a very large expensive advertising campaign was launched but we did not reap the benefits because our distributing facilities were not in keeping with the size of this campaign.

The plan of expansion which we were forced to abandon contemplated the acquisition of various plants throughout the country at strategic points as the question of freight rates and service is an important factor in the paint and varnish business.

It was evident by the end of 1918 that there was nothing further to be done about our plan of consolidation of many of the paint and varnish companies and that we should turn our attention to making the large paint business which we then possessed a satisfactory contributor to earnings, as mere addition of new business did not help matters. The showing for 1919 was not such as to cause much optimism for our paint business and while our volume in 1920 was the largest in our history, it also was the year

of largest losses which would seem to indicate that the more paint and varnish we sold the more money we lost. In the beginning of 1920, it was felt that the multiplicity of brands which we were using; that is, keeping alive purchased brands from the companies which we absorbed, was interfering with our business and it was decided to put everything under a duPont label. At the end of 1920 a steering committee was appointed, which had the following for two of its main policies:

1. To abandon our efforts to become one of the largest paint manufacturers in the country until we could make our own business pay its way, and to work on a volume of business that could be reasonably obtained.

2. The budgeting of our expenditures so that if this volume of business was obtained there was a sure profit.

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The year to date, 1921, does not see the paint business show a profit but this has been due to the fact that the steering committee was not permitted to reach its budget and therefore the expenses were greater than our receipts.

The above description has applied only to the duPont paint and varnish sales. During 1918 and 1919 when our trade sales business was showing such a loss, our subsidiary; namely, the Flint Varnish & Color Works, was showing continued good earnings. It had been for some years a considerable question with the duPont Company whether trade sales were profitable or not, as apparently our industrial business was very profitable and our trade sales were not. At the same time, however, we were faced with

the facts that there were many large trade sales concerns that made a satisfactory profit. Early in 1920 the business of the Flint Varnish & Color Works was so large that it was turning away business for lack of manufacturing facilities and at their request the duPont Company undertook to obtain additional facilities.

Examination of a limited number of firms which would furnish these additional requirements resulted in the purchase of the Chicago Varnish Works. This purchase was not particularly approved by the duPont Company on analysis of business conditions but on the guarantee of the Flint Company that they could make this investment show a satisfactory return, the business and plant were purchased for the account of the Flint Company. Shortly after, the automobile business, which was the main source of revenue to the Flint Company, entered a period of depression and the Flint Company was faced immediately with excess facilities at its own plant in Flint as well as the facilities of its newly acquired plant in Chicago. The trade sales which the Chicago Varnish Company had were discarded by both Flint and duPont. From 1920 to date we also find that the other portion of our paint business; namely, that handled by Flint was also in bad shape, due to shrinkage of

sales. At the time of purchase of the Chicago Varnish Works our Chicago paint plant acquired with Harrisons was dismantled and our Chicago district trade handled by a warehouse.

Turning now to our chemical business, we find it has been more or less sacrificed to the demands of our other plants; particularly, the Dye Works, after our military

needs had disappeared and no effort had been made to enlarge our chemical business through adding other plants, as the years 1919 and 1920 were the period of great prosperity to other chemical manufacturers, and there was no opportunity to purchase any concern at a reasonable price.

The pigment end, which includes our lithopone and dry colors, had ridden along without any particular effort to develop new lines. There was an opportunity in 1919 to obtain a western lithopone plant but our entire chemical and pigment business was not even then showing earnings in keeping with the prosperous times and it was not felt advisable to make any addition to our lithopone facilities.

Our lead business was very unprofitable and by the middle of 1921 we were practically out of the business. A careful study of the lead industry by the Development Department indicated that if properly handled with respect to purchase of pig lead we had a satisfactory margin between that price and the average selling price of white lead. Accordingly, this industry has been revived and a plant at Philadelphia started up on the Carter process only. This is the short process and does not tie up our capital as long as is the case of the Dutch process.

The following table shows the figures available for the last few years. It will be noted that the total of the gross sales of the four divisions in 1920 and 1921 is greater than the totals shown in the first table. The difference of $638,494 in the case of 1920 is due to transfer of products between the four

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divisions of the Paint Department and while they are properly shown as included in gross sales with respect to each division it is not proper to show as gross total of the Paint

Department as a whole. The figures for 1921 are an annual basis based on the actual to September 30, 1921.

	Total Investment	Gross Sales	Net Receipts
1917	$11,504,757	$8,867,820	$143,680
1918	13,781,714	10,939,345	531,332
1919	15,794,192	9,981,745	1,215,744*
1920	18,147,145	14,721,435	1,030,709*
1921	13,171,803	5,823,143	1,526,492*

PAINT & VARNISH

	Working Capital	Plants	Total Investment	Gross Sales	Net Receipts
1917	—	—	—	$1,265,328	$108,720*
1918	—	—	—	2,958,999	321,492*
1919	$4,156,754	$4,901,382	$6,058,136	4,015,769	489,337*
1920	4,509,714	1,495,044	6,004,758	5,098,705	959,363*
1921	2,393,546	1,462,849	3,856,395	2,698,793	457,616*

PIGMENTS & COLORS

1917	—	—	—	1,977,420	350,884
1918	—	—	—	2,526,935	280,761
1919	1,824,605	1,842,935	3,667,540	2,340,189	182,871*
1920	2,250,285	2,073,121	4,323,406	4,754,301	197,384*
1921	1,292,232	2,235,133	3,527,365	1,561,271	326,955*

LEAD PRODUCTS

1917	—	—	—	1,022,664	539,352*
1918	—	—	—	1,282,874	76,792
1919	1,250,444	550,462	1,800,906	1,566,933	159,586
1920	1,299,920	626,882	1,926,802	1,855,113	126,649
1921	492,700	580,854	1,073,554	555,554	272,094*

CHEMICALS

1917	—	—	—	4,602,408	710,868
1918	—	—	—	4,170,537	495,271
1919	1,423,494	2,912,332	4,335,826	2,058,854	383,954*
1920	1,939,598	3,952,582	5,892,180	3,651,810	142,080*
1921	1,138,119	3,576,368	4,714,487	1,161,444	469,827*

A casual inspection would seem to indicate a rather hopeless situation but the past events have been reviewed in order that our apparent inability to show a satisfactory return on our investment in the paint & varnish, pigment, lead and chemical businesses has not been due to any inherent defect in the industries themselves.

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With the exception of chemicals, the other lines have shown moderate earnings in the peace years preceding our ownership. The chemical business of Harrison Bros. & Co. had just about broken even and the war business made the profit in 1917 and 1918.

Taking the situation as of October 5, 1921, which is the turning point, we find that our investment (excluding Flint) is approximately:

Working Capital	Permanent Investment	Total
$4,273,758	$7,807,769	$12,081,527

If Flint is included as is proper for the purposes of this report since we have sold to them our western business formerly handled by a Chicago Branch Office and Warehouse and consider in the future the earnings of the Paint Department to be the sum of Flint plus duPont we have these figures:

	Working Capital	Permanent Investment	Total
Paint & Varnish	$3,573,973	$3,405,142	$6,979,115
Lead	333,694	600,302	933,996
Pigments & Colors	1,233,128	2,207,236	3,440,364
Chemicals	780,601	3,543,528	4,324,129
Total duPont & Flint	$5,921,396	$9,756,208	$15,677,604

Taking the paint & varnish business—at the present time we have four plants strategically located; Chicago, Ill., Flint, Mich., Philadelphia, Pa. and Boston (Everett), Mass. The grief of consolidating our lines is over and the trade satisfied with our goods and container from a merchandising point of view. Our eastern industrial goods have not a very strong following as yet but conditions are improving. Our western industrial goods under the Flint name are well known and favorably received and with the addition of the duPont trade sales line to Flint to support the Chicago plant, they are in excellent position to reach for all kinds of business. Philadelphia & Boston each have good surrounding markets.

Irrespective of the devious manner in which such a position is reached we feel that our paint and varnish facilities

are ready as fast as business can be obtained. We are one of the leading paint companies and while in no position to dominate the industry we are not outclassed on either source of raw material or condition of plants by any competitor.

Taking the lead business—at the present time we find ourselves only a small factor as compared with the National Lead Company but our plant and process is as good or better than any other. We are not well established as a white lead manufacturer as no attempt has been made to feature the fact. With our excess stocks, both finished and raw, now gone, our lead business has a good chance.

Taking our pigment business—at present we find that our former leadership in lithopone manufacture has been lost but we are still one of the strong factors. With the development and marketing of our new light stable lithopone, we are now in position to re-establish ourselves. Our

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two plants, Philadelphia, Pa. and Newark, N.J., are well located for eastern territory and the necessity for a western location will be decided by barytes supply.

Our dry colors are well and favorably known and our one plant at Newark is in good shape and well located. The addition of a line of lake colors now in process of development will materially strengthen our position.

Taking our chemical business—we are not in a very satisfactory position in some respects. The Philadelphia plant is not in good physical shape which handicaps us on costs and production. The Paulsboro plant is a war plant as far as markets go and we are very small producers of acid as compared with some of our competitors. Freight limits our market range and it will take a little time to find the best solution of the problem of this division of the Paint Department.

In all our divisions it is obvious that our turnover

per year is too small and this is one of the most important factors affecting our profits. We would like to see a turnover of at least once a year, thereby giving us a 10% return on our investment, as at this writing we do not see where our investment can be lowered under \$14,000,000 and therefore our present rate of annual sales of \$7,400,000 must be doubled as one cannot expect to average more than 10% on our sales as profit.

Some of our more important policies have been determined at this time. The fundamental and most important is a control of expense before the fact coupled with a strict adherence to our budget. Our budgets are in process of preparation and will be reflected in the No. 1 Forecast for 1922.

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Certain economies are possible; for example, in our sales end, the consolidation of our western business with Flint Varnish Works enables us to use an excellent office building at our Chicago Varnish Works and puts our western sales effort directly in touch with that plant. Separate offices and warehouses have been eliminated. This removes some business from our eastern plants but our policy of concentrated effort in a concentrated territory will bring in the necessary additional business.

Our Chicago Branch Office and Warehouse for pigments and colors have also moved to the Chicago Varnish Works where inexpensive space has been rented.

A small office in New York City has been obtained for chemical and pigments sales only and paint and varnish are sold from the Philadelphia plant office and a warehouse only maintained at Jersey City.

As a guide to what we expect to do in 1923, the following table is given, which includes duPont plus total Flint. The figures for 1920 are given for comparison, but these figures are quite approx-

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imate and are used to illustrate the relative position of the 1920 business with respect to our new basis.

	Paint & Varnish	Lead Products	Pigments & Colors	Chemicals
Gross Receipts	$7,000,000	$750,000	$2,500,000	$3,000,000
Freight & Delivery	350,000	22,500	75,000	120,000
Selling Expense	1,077,300	37,500	125,000	120,000
Mill Cost	4,661,700	600,000	2,000,000	2,520,000
Administrative	246,000	15,000	75,000	90,000
Net Receipts	665,000	75,000	225,000	150,000

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	1920 (Approx.)	New Basis
Gross Receipts	$18,788,000	$13,250,000
Freight & Delivery	$ 819,000	567,500
Selling Expense	1,862,000	1,359,800
Mill Cost	16,184,000	9,781,700
Administrative	546,600	426,000
Net Receipts	623,600	1,115,000
Total Investment	$20,147,145	$14,000,000
% on Investment	3%	8%

If business conditions continue as they are, however, we will feel that we have accomplished a satisfactory position if we break even but thereafter with any sort of normal business conditions, we should increase our per cent on investment to 8%.

Coupled with our budget idea, which of itself indicates what many of our policies will be, we are not losing sight of the future and our plans for sales expansion, plant development and improvement of products and processes are being worked out on not only a basis of giving the most immediate return on our investment but assuring us of a definite sequence of moves that will ultimately make our position in our several industries within the Paint Department 100% correct,—namely, giving 10% return on our investment plus a reasonable addition to surplus for investment in the business itself.

-- *H Grubb*

GENERAL MANAGER

NOTE: The asterisks on page 8 have been added to indicate figures which appear in red on the original. Italics indicate handwriting. "gmc 1424" appears in lower left-hand corner of each page.

Government's Exhibit No. 286

November 30, 1921.

To: BOARD OF DIRECTORS
FLINT VARNISH & COLOR WORKS

FROM: HUNTER GRUBB
A. B. ECHOLS

SALE OF COMMON STOCK—FLINT VARNISH & COLOR WORKS

Complying with action taken at meeting of this Board on Friday, November 4, 1921, as follows:

> "**********that Mr. Grubb and Mr. Echols be appointed a special committee to prepare a plan setting forth a financial re-organization of this company, such plan to be presented at the next meeting of this Board for approval **********".

You will find attached the actual Assets & Liabilities Statement of the Flint Varnish & Color Works, as of September 30, 1921; also, the forecasted condition as of December 31, 1921.

It will be noted that the estimated open account with the Du Pont Company, as of December 31st, amounts to $1,981,621, which bears interest at the rate of 6% per annum. The interest charges on this account for the year 1921 will amount to approximately $103,000. the estimate of the amount of Open Account at December 31st, $1,981,621, includes $300,000 to cover the purchase from the Du Pont Company of the Finished Product stocks, Accounts Receivable, and Miscellaneous Equipment incident to taking over the western paint business.

Also, it will be noted that the estimated Surplus, as of December 31, 1921, is $156,757*. Assuming that the estimated condition is attained, this Board will be unable to declare, in January, the semi-annual dividend on the preferred stock. And, in view of the burdensome nature of the interest charges on the Open Account with the Du Pont Company, it is recommended hereinafter that this Open Account with the Du Pont Company be permanently financed through the sale of common stock.

The common stock of the Flint Varnish & Color Works is held as follows:

E. I. du Pont de Nemours & Company	8,490.4	shares
Directors' shares	7.8	"
C. W. Nash	1.8	"
General Motors Corporation	500.	"
	9,000.	"

It is suggested that we recommend to our principal stockholder, E. I. du Pont de Nemours & Company, that they purchase the shares held by the General Motors Corporation and C. W. Nash, amounting in total to 501.8 shares. (This purchase could probably be made at par). This would result in the Du Pont Company owning 100% of the outstanding common stock.

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It is further suggested that, after the above has been effected, the Flint Varnish & Color Works offer to sell to the Du Pont Company, additional common stock to the extent of say, 16,500 shares at $120.00 per share, which would result in the following effect on the Surplus of the Flint Varnish & Color Works:

PRINTER'S NOTE: Asterisk denotes red figures in original.

16,500 shares at $120.00 per share—	$1,980,000
16,500 shares at par, $100. per share—	1,650,000
resulting in addition to Surplus of—	$ 330,000
Estimated Surplus at December 31, 1921	156,757*
Leaving Estimated Surplus at December 31, 1921, after sale of common stock	$ 173,243

The proceeds from the sale of common stock to Du Pont Company amounting to— $1,980,000
would be employed for the purpose of liquidating the open account with the Du Pont Company, amounting to 1,981,621

Leaving Balance in Open Account of $ 1,621

The authorized capitalization of the Flint Varnish & Color Works, under its present charter, is as follows:

	Authorized	Outstanding
Preferred Stock	$ 500,000	$ 500,000 (50 shs. in Treasury)
Common Stock	1,000,000	900,000
Total	1,500,000	1,400,000

Thus, it will be seen that the charter will have to be amended to increase the authorized common stock, and it is suggested that the charter be amended, increasing the authorized common stock by $2,000,000, bringing the total of that class of stock up to $3,000,000. The carrying out of this recommendation would involve increasing the capital stock outstanding by $1,650,000, which would result in an increase in capital stock tax of $1,650. per year. However, it is our

PRINTER'S NOTE: Asterisk denotes red figures in original.

feeling that this additional tax is more or less negligible as compared with the benefits derived.

It is recommended that the suggestions set forth above be approved by this Board, and that authority be granted to make such recommendations to our principal stockholder, E. I. du Pont de Nemours & Company.

HUNTER GRUBB
A. B. ECHOLS

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Government's Exhibit No. 287

Extract from Minutes of Meeting of the Board of Directors of General Motors Corporation duly held on the 8th day of January, 1923.

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The following directors were present:

Harry H. Bassett
Arthur G. Bishop
Donaldson Brown
William L. Day
Henry F. duPont
Irenee duPont
Lammot duPont
Pierre S. duPont
Fred J. Fisher
George H. Hannum
Alex B. C. Hardy
Charles F. Kettering
R. Samuel McLaughlin
Charles S. Mott
Seward Prosser
John J. Raskob
Herbert H. Rice
Alfred P. Sloan, Jr.
John T. Smith
Alfred H. Swayne
Clarence M. Woolley
Owen D. Young

* * * * * * * * * *

The Board was advised that an offer had been made by E. I. duPont de Nemours & Company to purchase at

$120.00 per share 500 shares of the common stock of Flint Varnish & Color Works owned by General Motors Corporation, that said offer had been presented to the Finance Committee of the Corporation, and by that Committee referred to the Board of Directors. Thereupon on motion duly made and unanimously carried, it was

RESOLVED that General Motors Corporation sell to E. I. duPont deNemours & Company

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500 shares of common stock of Flint Varnish & Color Works at $120.00 a share provided a Committee consisting of Mr. Seward Prosser and Mr. Owen D. Young decides after investigating the matter that $120.00 a share is a fair price for the stock and so reports to the President.

* * * * * * * * * *

A true copy.

Signed *George A. Brooks*
Secretary

NOTE: Italics indicate handwriting.

Government's Exhibit No. 288

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EXTRACT FROM MINUTES OF FINANCE COMMITTEE MEETING #267

FEBRUARY SIXTEENTH, 1923

E. I. DU PONT DE NEMOURS & COMPANY

AT O'CLOCK
ROY H. JOHNSON, CLERK

FLINT VARNISH & COLOR WORKS:

Letter was received from the Executive Committee, dated February 1, 1923 (#8862), enclosing report from the Development Department in connection with the above subject, and advising that at meeting held on January 31st it was moved and unanimously carried that this report be referred to the Finance Committee with the recommendation that such steps be taken as will result in our acquiring all of the stock, both common and preferred, of the Flint Varnish & Color Works. Authority having already been given to purchase the common stock, it was moved and unanimously carried that the Treasurer be authorized to purchase the outstanding preferred stock of the Flint Varnish & Color Works at such price as in the discretion of the Treasurer seems advisable, and that the above-mentioned letter and report be accepted and ordered filed.

Government's Exhibit No. 289

To: Executive Committee
From: Development Department

Serial No. S-1060
January 27, 1923

FLINT VARNISH & COLOR WORKS.

During November a study was commenced of the possible desirability of a dissolution of the Flint Varnish & Color Works. This study was undertaken because it was apparent that a certain saving could be made through a consolidation of the business of the du Pont Paint Department and the Flint Company. It was further believed that a dissolution of the Flint Company would be found advisable at an early date in view of possible serious conflict between the interests of the du Pont Company and the Flint Company on account of the Viscolac and Duco varnish developments.

In undertaking this study it was assumed that the dissolution could be effected whenever desired in the manner which has been followed in dissolution of other companies controlled by the du Pont Company. However, the writer was informed about a month ago that one of the officials of the Flint Company had in the course of a conversation expressed his personal satisfaction due to the apparent fact that the du Pont Company was not in a position to dissolve the Flint Company, which therefore henceforth would have to operate as an independent corporation. Accordingly the Legal Department was requested to make a careful study of this subject of possible dissolution of the Flint Company with special reference to whether the minority stockholders could prevent dissolution of the company if they were inclined to take such position. As a result of this investi-

gation Mr. Sparge of the Legal Department has expressed the rather firm opinion that the minority stockholders in fact are in a position to prevent the dissolution of the Flint Company if that should be the decision of any of them, and it is my understanding that Judge Laffey concurs in this opinion. A copy of the opinion is attached as Exhibit "A".

In view of this opinion the study of the possible dissolution of the Flint Company has been discontinued and only the following facts are submitted for the Committee's information.

In the event of a dissolution of the Flint Company the possible savings with respect to change in income and state taxes would be very small, probably only in the neighborhood of $700 per annum in favor of the dissolution of the company. It is also believed that a dissolution would save very little in the way of traveling expenses or expenses of the Board of Directors, nor would there be any appreciable change either with respect to cash requirements or working capital in general. On the other hand it is estimated as a result of investigation made by Mr. Farmer of the Paint Department that the merger of the Paint Department and Flint Company might save approximately $13,000 per annum, largely through the saving in salaries of employes whose services would no longer be required. Against this saving it will be held by some connected with the Flint operations that the business of the Flint Company will be conducted to better advantage as a separate organization, but there would appear to be room for divided opinion on this subject. However, in view of the fact that the du Pont Company is not in a

position to order a dissolution of the Flint Company, it is considered unnecessary to go into a discussion of this matter in this report.

It is the purpose of this report only to call to the Committee's attention that the du Pont Company is not in a position to cause a dissolution of the Flint Company whenever this

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may appear desirable, and this matter would appear to require special attention inasmuch as it apparently places the Flint Company in a position in this regard different from all other of the du Pont Company's subsidiary companies. It seems to the writer that on general principles it is very undesirable for the du Pont Company to have any subsidiary company which cannot be dissolved if and when such action might appear desirable, due to changes in organization of the du Pont Company itself, due to changes in the business conditions, or due to radical changes in state legislation or federal legislation which might make it unduly burdensome to operate such separate corporation. It is therefore believed desirable that this situation should be clearly understood and that steps should be taken if possible to place the du Pont Company in a position to effect such dissolution of the Flint Company if and when it may appear desirable. This suggestion is made not because it appears important to dissolve the Flint Company in the very near future but because it might require several years time to place the du Pont Company in a position to control the question of dissolution, whereas strong reasons in favor of dissolution may be found on relatively short notice.

Govt. ~~Trial Ex.~~ No. 289

The stockholders of the Flint Company are as follows:

Common Stock

du Pont Company	24996.4	shares
General Motors	500	"
C. W. Nash	1.8	"
J. J. Carton	1.8	"
Total	25500	"

Preferred Stock

du Pont Company	4275	shares
G. C. Wilson	70	"
C. W. Nash	250	"
Margaret Strubel	27.5	"
W. C. Orrell	100	"
Albert Krats	27.5	"
Edith M. Davis	200	"
Treasury Stock	50	"
Total	5000	"

It will be seen that the du Pont Company owns 98.0% of the common stock and 85.5% of the preferred stock. It is believed that Mr. Nash and Mr. Carton are connected with the

—4—

General Motors Corporation and presumably therefore all of the outstanding minority common stock can be acquired on short notice.

With respect to the preferred stockholders the writer is not familiar with the position of these stockholders and has felt it undesirable to make any inquiries in this connection at this time.

With respect to the probable cost of acquiring the outstanding minority stock, it should be noted that the General Motors Corporation paid $120 per share when they

acquired this stock and presumably it can be purchased by the du Pont Company at any time at this figure, which would be $60,432 for the outstanding 503.6 shares. When the Flint Company was acquired which was at the same time the General Motors Corporation acquired their minority interest, the book value of the common stock was $87 per share, whereas as of December 1st, 1922 the book value was close to $92 per share. However, a substantial dividend was paid on the common stock during December so that presumably the common stock is worth about the same now or a little less than it was when the Flint Company was purchased. However, there is no particular urgency to consider the common stock at this time because this stock can be readily obtained when wanted and there is no strong reason at present to acquire the common stock until all of the outstanding preferred stock has been secured.

There is an outstanding bond issue of $343,000, but this does not concern the possible dissolution of the Flint Company inasmuch as this bond issue can be taken over by the du Pont Company. This obligation was incurred in 1920 due to the purchase of the Chicago Varnish Works when the bonds were assumed by the du Pont Company and thereupon transferred to the Flint Company. These same bonds may be taken over again at any time by the du Pont Company.

With respect to the outstanding minority preferred stock,

this stock is worth $67,500 at par excluding the 50 shares of treasury stock. The writer has no opinion to offer as to whether it is possible to purchase this at par or what price would have to be paid.

No definite recommendation is submitted relative to the

3781

possible dissolution of the Flint Varnish & Color Works and it is the only purpose of this report to call the situation to the attention of the Executive Committee, inasmuch as the facts in the case are probably not known. The suggestion, however, is made that it appears desirable to take steps to place the du Pont Company in a position to control this situation within a reasonable time in view of possible developments, and for this purpose the outstanding minority preferred stock in the amount of 675 shares should be acquired.

Respectfully submitted,

Fin. Sparre

Note. At the upper right of the first page appears a rubber stamp reading: Executive Committee Secy's No. 8832. gmc 1500c appears in the lower left hand corner.

6
E

Government's Exhibit No. 290 3782

FILE 78

April 15, 1918

Mr. William Coyne,
Vice President,
Wilmington, Delaware.

My dear Coyne:

Mr. Warner, General Manager of the Oakland Division of the General Motors, was present at part of the conference on Fabrikoid matters the other day, but was called away to meet an engagement with Mr. Durant before he had made some suggestions which he had in mind.

He felt that it would be desirable to get each of the divisions using artificial leather and other material such as Py-ra-lin, etc., samples of sufficient size to enable us to see exactly what was being used and to pave the way for perhaps a more general adoption of our material.

He told the various participators in the conference that if a vote were to be taken by the various agents handling General Motors goods as to whether it would be wise to adopt artificial leather, coupling with it a substantial reduction in the price of the car, 90% would be against the discontinuance of the use of real leather for upholstering purposes.

He told me he believed artificial leather could be adopted which would give exactly as good results as the grade of split leather they are using at a higher price, but he felt that each manufacturer of motor cars would be disinclined —even if thoroughly satisfied regarding quality, etc.,—to

3783

change to artificial leather unless competitors in similar grades were to take the step at the same time, which of course might not be impossible of accomplishment.

I know that both he and Mr. Durant think that the leather conditions may become sufficiently acute to force the use of artificial leather, at least in part.

Would it not seem therefore the proper course of procedure would be to determine and place ourselves in position to furnish Fabrikoid of required quality and also consider how best to get cooperation whereby makers of such of the low priced cars as it would seem possible and wise to get transferred will be put in the frame of mind necessary for its adoption?

I talked with Mr. Warner also regarding the top material and he spoke of a test which had been made comparing our

—2—

top materials with those manufactured by Chase and one other concern in which our materials made an unfavorable showing,—not because the material went to pieces or was in any way less serviceable, but because it did not retain its color.

Yours very truly,

Vice President.

Copy to
Mr. P. S. duPont
Mr. J. J. Raskob

2

Government's Exhibit No. 291

DU PONT FABRIKOID

Du Pont Fabrikoid Company

INCORPORATED

CABLE ADDRESS "FABRIKOID" WILMINGTON

MANUFACTURERS OF

ARTIFICIAL LEATHER

SALES DEPARTMENT

120 Bway., New York, Apr. 19, '18.

~~WILMINGTON, DELAWARE~~

Mr. J. A. Haskell,
c/o Chevrolet Motor Co.,
Broadway & 57th St., N. Y.

Dear Sir:-

We are to a great extent familiar with the various Companies, comprising the General Motors, but we are afraid we have not the entire list, and persuant to a plan, or thought, which we wish to work out, which came up at a recent meeting, our people had with Messrs. Hohensee and Durant, at which conference, I had the pleasure of meeting you, it is necessary we have a complete list of all of the firms, comprising the General Motors Organization.

Won't you kindly favor me with such a list?

Yours very truly,
Du Pont Fabrikoid Co. Inc.
G. Albert Sukman
Sales Agent.

CHS/WLD.

Government's Exhibit No. 292 — 3785

April 20, 1918

Mr. C. Hallock Silkman,
Sales Agent DU PONT FABRIKOID COMPANY
130 Broadway, New York.

Dear Sir:

Answering your inquiry of the 19th instant would say that the following is a list of the companies comprising the General Motors:

Buick Motor Company	Flint
Cadillac Motor Car Company	Detroit
Oakland Motor Car Company	Pontiac
Olds Motor Works	Lansing
General Motors Truck Company	Pontiac
Chevrolet Motor Company	New York

The Chevrolet Company is also largely interested in the Scripps-Booth Corporation of Detroit.

Yours very truly,

-* Vice President.

NOTE:—"-*" appears to the left of signatory's title.

Government Exhibit No. 275

Government's Exhibit No. 293

3786

9827 1M-4-17

Copy to - J. A. Haskell,
J. A. Burckel,
Arlington Wks.,
New York, N.Y.

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE

VICE-PRESIDENT

May 23, 1918.

To - C. L. Patse,

From - Wm. Coyne.

SALES TO GENERAL MOTORS COMPANY.

May 18th, Mr. Burckel writes as follows,

"I called upon Mr. J. A. Haskell this afternoon and had a very pleasant and satisfactory talk with him in regard to the requirements of General Motors Company for Pyralin sheeting.

Mr. Haskell is in full agreement with my views which had previously been approved by you, viz., that we cannot afford to jeopardise our business with other Motor Companies by giving preferential treatment to the General Motors Company or to any of their units.

I gave Mr. Haskell a synopsis, presenting what I believe to be the full and true facts regarding our relations with the various automobile manufacturers, and it is Mr. Haskell's opinion that a continuation of our present policy should result in our securing practically all of the business of the General Motors Company without jeopardising our relations with other manufacturers.

Mr. Haskell makes the suggestion, which I consider a good one, that I advise him periodically as to the business shipped and business booked with the different motor branches, of General Motors, and also advise him what proportion of their business is going elsewhere. With this information in his possession, he will be able to keep in touch with the relations between the Arlington Works, and the General Motors Company, and will give me his suggestion at any time when the conditions indicate the need of special attention."

Quotation Ends.

I would suggest that you likewise advise Mr. Haskell, periodically as to business shipped and business booked, with the different Motor Branches, and also what proportion of their business is going elsewhere.

WC/R

NOTE: Illegible handwritten symbol appears at upper right corner. Stamp at upper right bears date, "MAY 28 1918", and name, "J.A. HASKELL". Second paragraph of quoted letter is bracketed in the right margin with two short, diagonal, hand-drawn lines, as is the third paragraph.

Government's Exhibit No. 294

3787

The Arlington Works

OWNED AND OPERATED BY

E. I. DU PONT DE NEMOURS & COMPANY, INC.

DU PONT
ESTABLISHED 1802

725 BROADWAY, NEW YORK

IVORY PY-RA-LIN
PY-RA-LIN SHEETING
CHALLENGE
CLEANABLE
COLLARS

HOME OFFICE
DU PONT BUILDING
WILMINGTON, DEL.

SALES DEPARTMENT

June 15, 1918.
Dict. June 15

Mr. J. A. Haskell, Vice President,
E. I. du Pont de Nemours & Company,
57th Street & Broadway,
New York City.

My dear Mr. Haskell:

You will recall that I had a talk with you recently in regard to business done with The Arlington Works by the General Motors Company in the line of transparent Pyralin sheeting, and you suggested that I keep you advised in regard to orders received, shipments made, etc..

I am enclosing herewith a memorandum in three divisions, showing:

1. Orders received during month of May..
2. Shipments made during month of May.
3. Competitive conditions.

Yours very truly,

J. A. Bureland

SALES MANAGER.

JAB/FCS

June 15, 1918.

ORDERS RECEIVED DURING MONTH OF MAY

Name	Date of Order	Amount
Olds Motor Works	5/15/18	10,700 Sheets
Chevrolet Motor Co.	5/8/18	75,000 " "

SHIPMENTS MADE DURING MONTH OF MAY

Name	Date Shipped	Amount Shipped	Back Orders
Olds Motor Works	5/10	1,540	13,584
Chevrolet Motor Co.	--	--	75,000
Cadillac Motor Co.	5/1	2,950	
	5/14	1,350	
	5/18	2,925	
	5/22	1,550	9,185

COMPETITIVE CONDITIONS

Buick Motor Company — Letter of 5/27/18 states order placed with competitor (approximately 100,000 sheets).

FCS

Government's Exhibit No. 295

3789

Du Pont Fabrikoid Company
INCORPORATED
MANUFACTURERS OF
ARTIFICIAL LEATHER AND RUBBER CLOTH

CABLE ADDRESS
"FABRIKOID"
WILMINGTON

SALES DEPARTMENT

WILMINGTON, DELAWARE

1-615-Purchases
Leather substitute Manufacturers
Rubber Cloth &-G.M

July 2nd, 1920.

Our file WSS

Mr. J. A. Haskell, Vice Pres.
General Motors Corporation,
224 West 57th St.,
New York City.

Dear Sir:-

File F-114.

We are today in receipt of a letter from Mr. Earle Clark, enclosing reports showing purchases of Leather Substitutes, Rubber Cloth and Mohair Top material by the Olds Motor Works for the months of December 1919 to May 1920, inclusive.

We want to assure you that we very much appreciate your assistance in securing this information for us.

Yours very truly,

W. S. Simpson

WSS-LMM.

Manager Statistical Bureau.

Government's Exhibit No. 296

3790

OLDS MOTOR WORKS

Lansing, Michigan

ED. VERLINDEN,
President

JULY 11, 1918.

Mr. J. A. Haskell, V. P.,
General Motors Corporation,
New York, N. Y.

Dear Mr. Haskell:—

With reference to our purchases of Imitation Leather during the years 1917 and 1918, wish to advise that we did not purchase any of this material from the L. C. Chase Company. We did, however, buy from DuPont and Textileather Companies as follows:

	1917	1918
Dupont 50" Imitation Leather	87049 Yds	676 Yds to 2/26/18
Textileather Imitation Leather	45587 Yds	67708 Yds to 5/31/18

Yours very truly,

/s/ EDW VERLINDEN

NOTE. At top time stamp "Received Jul 13 1918 J. A. Haskell". To right of addressee caption is pencil notation "wrote 8/5". Pencil notation at bottom: "how much top and curtain material for 1917 & 1st half 1918?"

Government's Exhibit No. 297

ALL QUOTATIONS SUBJECT TO CHANGE WITHOUT NOTICE

3791

DU PONT FABRIKOID

Du Pont Fabrikoid Company

INCORPORATED

CABLE ADDRESS "FABRIKOID" WILMINGTON

MANUFACTURERS OF

ARTIFICIAL LEATHER AND RUBBER CLOTH

SALES DEPARTMENT

WILMINGTON, DELAWARE
July 12, 1918.
OUR FILE "COT"

Mr. J. A. Haskell,
% Chevrolet Motor Co.,
57th & Broadway,
New York, N. Y.

Dear Sir:-

We attach hereto report of General Motors Units for month of June showing unfilled yardage June 1st, yardage placed during June, yardage shipped during June and unfilled yardage as of July 1st. Also Report showing competitive Sales to June 30th.

Very truly yours,

DU PONT FABRIKOID COMPANY.

PER: C O Terpenning

COT/lg.

To Mr. J. A. Haskell

3792

REPORT OF GENERAL MOTORS UNITS FOR MONTH OF JUNE 1918.

BUICK.
FABRIKOID.

Unfilled yardage June 1st,	520
Yardage placed during June	41500
Yardage shipped during June	500
Unfilled yardage July 1st.	41500

FAIRFIELD.

Unfilled yardage June 1st.	4993
Yardage placed during June	600
Yardage shipped during June	5593
Unfilled yardage July 1st.	none

OLDS

Unfilled yardage June 1st.	35110
Yardage placed during June	75700
Yardage shipped during June	20110
Unfilled yardage July 1st.	90700

Shipments of unfilled yardage July 1st are dated for shipment up to September 1st.

CADILLAC

Unfilled yardage June 1st.	none
Yardage placed during June	6500
Yardage shipped during June	6500
Unfilled yardage July 1st.	none

OAKLAND

Unfilled yardage June 1st	24000
Yardage placed during June	none
Yardage shipped during June	19794
Unfilled yardage July 1st.	4206

3793

GENERAL MOTORS TRUCK.

Unfilled yardage Junet 1st.	2000
Yardage placed during June.	none
Yardage shipped during June	1000
Unfilled Yardage July 1st.	1000

CHEVROLET FABRIK ID

Unfilled yardage June 1st	430,800
Yardage placed during June	30,000
Yardage shipped during June	120,800
Unfilled yardage July 1st.	340,000

FAIRFIELD

Unfilled yardage June 1st	none
Yardage placed during June	12,393
Yardage shipped during June	2031
Unfilled yardage July 1st	10,362

C. O. Terpenning
7-10-18

1510

3794

COMPETITIVE SALES TO GENERAL MOTORUS UNITS TO JUNE 30, 1918.

NAME AND LOCATION	COMPETITOR	2nd QUARTER UPHOLSTERY	2nd QUARTER AUTO TOP	FROM JUNE 1st to 30th. UPHOLSTERY	FROM JUNE 1st to 30th. AUTO TOP
Olds Motor Works Lansing Michigan	Chase	94,500	20,070	31,500	9,685
	Textileather	49,995	3,695	16,665	2,805
Chevrolet Motor Car Co. N. Y.	Barrell		374,090		124,120
" " " " St. Louis	Chase	24,830	25005	12,500	8,335
" " " " Flint	-----	-------	------	--------	------
" " " " Fort Worth	-----	-------	------	--------	------
" " " " Oakland	------	-------	------	--------	------
Cadillac Mtor Car Co. Detroit	Pantasote	41,715	32,505	14,055	10,835
Oakland Mtor Car Co. Pontiac	Chase	7, 300	------	--------	------
	" Rubber	------	62,505	-------	20,835
	Bo ston Woven Hose & Rubber	------	62,505	-------	20,835
General Motors Truck Co. Pontiac	--------	------	------	--------	------
Buick Motors Car Co. Flint	Chase	208,735	------	75,090	------
	" Rubber	-------	18,750	------	6,250
Scripps-Booth Detroit	I. S. Carr Co.	-------	8,130	-----	2,710
	Pantasote	25,005	8,130	8,335	2,710
TOTAL		452,080	615,385	158,145	209,120

Government's Exhibit No. 298

3795

CADILLAC MOTOR CAR COMPANY

DETROIT, MICHIGAN

RECEIVED
JUL 15 1918
J. A. HASKELL

OFFICE OF THE PRESIDENT

July 12, 1918.

Mr. J. A. Haskell,
General Motors Corporation,
New York City.

My dear Mr. Haskell:

If the enclosed memorandum does not give you the information you are seeking, please advise me further. I will be very glad to furnish same.

Yours very truly,

RHCollins

President.

RHC/C

Encl.

3796

DU PONT FABRIKOID COMPANY,

Artificial Long Grain Leather.

1917	30,000 yds.
1918	18,500 "

HODGMAN RUBBER COMPANY.

Curtain and Deck Material.

1917	325 yds.
1918	73,000 "

DU PONT FABRIKOID COMPANY.

Rayntite Top Material.

1918	3,000 yds.

PANTASOTE COMPANY.

Curtain and Deck Material.

1917	189000 yds.
1918	54050 "

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Government's Exhibit No. 299

3797

Letterhead of

GENERAL MOTORS TRUCK COMPANY

PONTIAC, MICHIGAN

FILE 78 July 13th, 1918

Mr. J. A. Haskel, Vice Pres.,
General Motors Corporation,
1764 Broadway,
New York City.

My dear Mr. Haskel:

Answering your valued favor 5th inst. with reference to the number of yards of artificial leather purchased by us during 1917 and thus far in 1918 beg to say.

During the year of 1917 we purchased from the Chicago Decorative Leather Company, 6000 yards Elkhide XX 50" Grain, H S Medium Dull.

Thus far in 1918 we have purchased all artificial leather from the DuPont Company amounting up to this time to 5000 yards Grain M; finish 96, 50" napped; 2500 yards, 10000 quality, Grain M, B finish, Color 96 black.

We are not supplying the Government with seats on ambulances and therefore, our consumption of trimming leather is lighter than it would be otherwise.

Very truly yours,

W. L. Day
General Manager

WLD

NOTE: "Received Jul 15 1918 J. A. Haskell" is stamped, and "78" is written at top of page. Italics indicate handwriting.

Government's Exhibit No. 300

3798

Letterhead of
OAKLAND MOTOR CAR COMPANY
PONTIAC, MICHIGAN

July 15, 1918.

Mr. J. A. Haskell,
1764 Broadway,
New York City.

Dear Mr. Haskell:—

Referring to your favor of the 5th inst., I beg to hand you herewith statement showing the amount of imitation leather, top material, and side curtain material received by us from January 1st, 1917, to June 1st, 1918. These figures are accurate because they are taken from our receiving slips.

I also attach hereto a memorandum from Mr. O'Rourke in reference to troubles we have had with this class of material.

If there is any additonal information that I can give you, please advise me.

Yours very truly,

Fred W. Warner,
General Manager,
OAKLAND MOTOR CAR COMPANY.

FWW-GFB
2 Enc.

3799

RECAPITULATION OF IMITATION LEATHER, TOP MATERIAL, & SIDE CURTAIN MATERIAL RECEIVED BY OAKLAND MOTOR CAR COMPANY FROM JANUARY 1st, 1917 to JUNE 1st, 1918 7-11-18

Firm Name	Material	Quantity 1917	Quantity 1918
DuPont Fabrikoid Company	50" Imitation Leather	13152¼ Yds.	10257¾ Yds.
"	54" " "	2168-7/8 "	
L. C. Chase & Company	50" " "	32469¼ "	16061 "
"	52" " "	299 "	
"	53" " "	132 "	
"	54" " "	15358¾ "	
L. J. Mutty Company	36" Side Curtain Material	~~81272½ Yds.~~	1835 Yds.
"	54" " "	20139½ "	9828¼ "
Boston Woven Hose & Rubber Co.	36" " "	41890½ "	15874½ "
L. C. Chase & Company	36" " "	154022½ "	72166½ "
L. J. Mutty Company	54" Top Material	65305½ "	
Boston Woven Hose & Rubber Co.	54" "	42134½ "	12463¼ "
L. C. Chase & Co.	54" "	90081½ "	36234 "

1515

COPY

Office Memoranda Must Receive Prompt Attention

OFFICE MEMORANDUM

OAKLAND MOTOR CAR COMPANY

Division of General Motors Corporation

FOR THE ATTENTION OF Mr. Warner:—

DATE July 9, 1918.

SUBJECT:

Replying to your Memorandum of the 8th, with reference to Imitation Leather that we have purchased from the L. C. Chase Company and the DePont Fabrikoid Company, would say that our experience has been that the L. C. Chase Company material is very much superior to that manufactured by Du Pont.

We have never had any trouble whatever with the Chase material and have had two very serious complaints to enter with the Du Pont people.

Under date of November 2, 1916 we returned 8,444 yards of material to Du Pont on account of the great variance of shade that their finish was running. As a matter of fact individual rolls of this shipment would have two or three different colors of finish.

Under date of March 11, 1918 we wrote the Du Pont people in regard to the fact that we were having trouble making paste stick to the back of their imitation leather. They immediately sent their representative to investigate

this condition and we have recently received another shipment from them which we are just starting to cut into, and I will advise you further as to whether or not this trouble has been eliminated.

J. S. O'Rourke

JSR:MG

NOTE: The line in margin on the third page is by hand. "Received Jul 17 1918 J. A. Haskell" is stamped, and "78" is written, at top of first page. Italics indicate handwriting.

4

Government's Exhibit No. 301

Letterhead of

OAKLAND MOTOR CAR COMPANY

Division of General Motors Corporation

Date July 20, 1918.

For the Attention of Mr. Warner:—

SUBJECT:

I have carefully read over Mr. Haskell's letter of the 16th, and enclosing a copy of a letter from Mr. Petze, Director of Sales of the Du Pont Fabrikoid Company, and in reference to our recent purchases.

To even up our materials in connection with the releases of the last 15,000 cars, we needed 6,000 yards of Imitation Leather. This we purchased from the Zapon Company at a net price of 81¢ per yard.

We also have a contract with the O'Bannon Corporation for our requirements, of not to exceed 25,000 yards, of their C-XX, 50" Imitation Leather, and on which they allowed us the old list price of 39¢ per yard, from which we receive a discount of 10%.

The DuPont Fabrikoid Company's best price to us at the time this contract was closed, was made against their list, effective June 24th, and which listed their 3000 Grade at \$1.10½, from which they would have allowed us 10-5%.

/s/ J. S. O'ROURKE
R

JSO:MG

Government's Exhibit No. 302

Letterhead of

DU PONT FABRIKOID COMPANY

OPERATING DEPARTMENT

WILMINGTON, DELAWARE

July 3, 1918.

Mr. J. A. Haskell,
Chevrolet Building,
57th St. & Broadway,
New York, N. Y.

Dear Mr. Haskell:—

OUR FILE FO-CHEVROLET MOTOR CO.—FK

If we are ultimately to furnish all, or the greater part of the top material for the Chevrolet and General Motors cars would it not be well for these several users to agree upon a uniform shade of drab for the back, or lining?

The several gentlemen with whom we have thus far come in contact upon this point have worked with us and have usually agreed to take our present standard shade. However, most of them were using and preferred a different shade, though they were not alike in the case of each manufacturer. It is therefore apparent that something different from our Newburgh standard of drab would be generally preferable with the Chevrolet and General Motors top makers; if a uniform shade can be decided upon we shall be glad to try to produce it.

This letter is written to you because I am not quite sure just how we should go about getting action, but know

that if you approve of the idea you will put it into the proper hands. If somewhat premature kindly disregard it.

Very truly yours,

F. Kniffen
Vice-President.

FK/IRB

NOTE.—"Received Jul 5 1918 J. A. Haskell" is stamped at top, and "78" and "Ans 7/6" are written at top of page. Italics indicate handwriting.

2

Government's Exhibit No. 303

3805

Copy to F. W. Pickard,
Vice President.

November 18, 1919.

BOARD OF DIRECTORS,
DU PONT FABRIKOID COMPANY.

SUBJECT: CONTRACT WITH BUICK MOTOR CO.

Your communication November 13 received, and as requested I am giving you below circumstances surrounding the acceptance of the contract withthe Buick Company:

Our contract with the above Company, taken on April 17, called for the following materials:

525,000 yards Double Texture top material at 1.0045¢ per yd.
950,000 yards Single Texture curtain material at 59.78¢ per yd.,
and 200,000 yards of Bow Lining at 34.055¢ per yd.

At the time this contract was taken, the estimated replacement cost for the three above mentioned materials, was respectively 93.70¢ per yd.; 50.90¢ per yd., and 29.60¢ per yard, and the grey goods required for the contract was purchased at the prices used in arriving at the estimated replacement cost.

The total estimated cost of the three types of material sold, including the usual estimate for selling expense and administrative, was $1,100,718.08. The total selling price of the three types, taking off 2% cash discount, is $1,163,-

382.50, or a net estimated profit of $62,664.42, equivalent to 5.39% on sales price.

Referring to my statement at the last Directors' meeting that instructions had reached me from Mr. P. S. du Pont to accept this contract at cost, I have investigated this statement and report as follows:

At the time negotiations were on, Mr. Pickard was familiar with the fact that on account of our relations with the General Motors Corporation, our competitors were naming abnormally low prices, either with the intention of taking the business which they had heretofore enjoyed, even at a loss or a small profit, or with the idea of making the business unprofitable to us, and so informed Mr. Du Pont who stated to him that he thought it was wise, in order that we might open business relations with the Buick Company, for materials which we had not heretofore sold them, to go even as low as our cost price. You will note however, from the above, that based on estimated cost, our sales price showed a 5.39¢ return.

The percentage of profit actually made in the four months June to September (deliveries on the Buick contract started in June), was 15.90% on sales price, and the return on investment for this same period was 24.80%. Using the April estimated profit on the Buick contract of 5.39%, the return on investment on this contract, providing estimated costs had been realized, would have been 8.40%.

Having accepted the Buick contract, it was necessary that we modify our prices on like material to other General Motors Units with which we had contracts, viz., Chevrolet 132,280 yards; Olds 65,234 yards and Oakland 180,000 yards.

The cost June to September of the three types of material was as follows:

Double Texture Top material 1.2656
Single Texture curtain material 55,21¢
Bow Lining, 36.57¢,

and if we include selling and administrative expenses, the difference between estimated and actual costs is respectively as follows:

34.95¢ per yd.
04.59¢ per yd.
07.41¢ per yd.

The explanation for these increased costs I am leaving to the Operating Department.

One thing however that it seems to me should be given due consideration, is the fact that prior to our acceptance of the General Motors contracts, the Fairfield Plant was to all intents and purposes a one-customer plant (Ford Motor Company), and the trade to a very material extent regarded it as a Ford, or low-priced product plant. This made it difficult to interest higher-grade cars to the point of contracting with us. The fact that we had contracted with Buick and other General Motors cars placed us in a position to write contracts in other directions at considerably higher prices than our General Motors Contracts.

In changing Fairfield from a Ford Plant to a diversified Motor Plant, we encountered difficulties and extraordinary expenses; explanations of both of these however should come from the Operating Department rather than from me, but I do feel that attention should be called to the fact

3

that we have materially raised the standard of quality of Fairfield's production and are now able to, and are, making as good a quality as anyone in the business. In this connection it might not be amiss to call attention to the fact that the Buick Company have quite recently stated that not only were our deliveries 100% efficient, and it was not true of many of our competitors, but also that the quality of material that they were receiving was the best they had ever had from anyone.

Chas L Petze
VICE PRESIDENT?

CLP*mlm

NOTE: "GMC 1510" is written in lower left corner of both pages. "DU PONT FABRIKOID COMPANY SECY'S NO." is stamped in upper right corner of first page; "440" is inserted by hand in the blank after "No." "RETURN TO EXECUTIVE COMMITTEE ROOM 9069" is stamped at bottom of both pages. Initials which appear to be "F D B" are written in upper left of first page. Italics indicate handwriting.

Government's Exhibit No. 304

3809

December 19,1919.

To — EXECUTIVE COMMITTEE,
E. I. DUPONT DENEMOURS & COMPANY.

FROM— BOARD OF DIRECTORS,
DUPONT FABRIKOID COMPANY.

CONTRACT WITH BUICK MOTOR COMPANY:

We attach hereto copy of report from the Sales Department dated November 18,1919, (#440) in connection with the above-mentioned subject:

At meeting of the Board of Directors of the duPont Fabrikoid Company held yesterday, it was moved and unanimously carried that this communication be accepted and ordered filed, and that a copy be referred to the Executive Committee of E.I. duPont deNemours & Company for their information.

M D Fisher
Assistant Secretary,
duPont Fabrikoid Company.

3.-encl.

NOTE: "Executive Committee Secy's No. 2090" and "Received Dec 19 1919 Lammot du Pont" are stamped at top and "Return to Executive Committee Room 9069" is stamped at bottom of page. "L du P" is written at top and "GMC 1512" is written at bottom of page. Italics indicate handwriting.

Government's Exhibit No. 305

3810

224 West 57th Street
February 3d, 1920

Mr. M. L. Prensky,
Treasurer General Motors Corporation,
Detroit, Michigan.

Dear Mr. Prensky:

I am this morning in receipt of a letter from Mr. W. S. Simpson, Manager of the Statistical Bureau of the duPont Fabrikoid Company, calling attention to the fact that they are not now receiving the statistical information formerly received from Detroit regarding purchases of Leather Substitutes and Rubber Cloth by the several units of the General Motors Corporation, and I am writing to ask if there is any reason why we cannot continue to supply this information, which is exceedingly valuable to the duPont people for statistical purposes.

Awaiting your kind consideration of and advices regarding the matter, I remain

Yours very truly,

Vice President.

Government's Exhibit No. 306

3811

Copy to – Irene DuPont, Pres. DuPont Co. ✓
" " – R.R.M.Carpenter, Pres. Fab. Co.
" " – F.W.Pickard, Vice Pres. DuPont Co.

DU PONT FABRIKOID COMPANY
WILMINGTON, DELAWARE

VICE PRESIDENT'S OFFICE

July 29, 1920.

Mr. John J. Raskob,
Vice President,
B l d g.

Dear Sir:—

Subject: CONTRACT WITH BUICK MOTOR CO.

Early this year we contracted with the Buick Company for approximately 1,300,000 yards of deck and curtain material, for delivery July 1, 1920 to June 30, 1921, which on a basis of their schedule at that time, viz., 170,000 open cars, represented 2/3 of the total quantity they required, and bought the necessary grey goods to supply the finished product required by them for the period July 1 to December 31, 1920.

In April, following the receipt by them of lower quotations from one of our competitors, at a meeting at which Messrs. Pickard and Bassett were present, we agreed to reduce the yardage to 780,000 yards, which left us with a surplus of grey goods; a part of which has been disposed of, the balance however present conditions indicate will have to be sold at a loss.

I am enclosing herewith copy of contract which as you will note also includes drab dyed drill in amount of 480,000 yards. When this contract was negotiated, the Buick Company asked that it provide for a minimum and maximum yardage, but on account of the condition of the grey goods market we told them that this was impossible, that they would have to contract for a specific yardage and positively agree to take delivery of it.

They now ask that we reduce the several yardages called for in the contract approximately 55%, and further, that we postpone shipment of material which we now have made up and ready to ship, and at the suggestion of Mr. Irenee Du Pont I am now taking the matter up with you with the request that it be taken up by you with the officials of the General Motors Corp.

I attach hereto copies of Buick telegram of July 21; my reply of July 24 and theirs of July 27.

Our policy does not contemplate acceptance of cancellation on contracts, and if we accepted the requested Buick cancellation we can hardly justify a refusal to accept cancellations from other customers. If cancellations should be accepted by us it would necessitate the sale of grey goods which we are at present committed for, at a material loss, for the reason that even if our views of

—2—

business integrity would permit us to ask grey goods sellers to cancel their contracts, we know through statements which they have voluntarily made they would not accept cancellation, and would only agree to postponement of delivery providing we paid for the goods when ready for shipment, and also paid the necessary storage and insurance expense. In addition to this loss we would of course suffer a loss due to decreased factory production and the loss of our prospective profit.

2

Please note in a previous paragraph attention is called to the fact that we are requested to cancel 55% of the deck and curtain material they contracted for. Our information is that the original contract was based on a schedule of approximately 170,000 open cars and the reduced schedule is for approximately 135,000 open cars. This naturally brings out the question to what extent have they asked our competitor to cancel his contract with them, and has he agreed to do it? If the information in our possession is correct, seemingly they have not asked for any cancellation on his part. Please note attached memorandum. Competitor referred to is J. C. Haartz, Inc., of Boston, Mass.

If in addition to cancellation, postponements of the nature of the 20,000 yards referred to in the Buick telegram of July 21 are requested, the question immediately becomes one of finance rather than of sales, and narrows down to whether the Du Pont Fabrikoid Company shall to some degree finance the General Motors Corp.

I will appreciate as early reply as it is possible for you to get, in order that factory operations may not be materially interfered with.

Yours very truly,

Chas. L. Petze

VICE PRESIDENT.

CLP*mlm

NOTE: "50" is written in upper right corner of first page. Check mark after "Irenee DuPont, Pres. DuPont Co" at top of first page is by hand. Line is drawn through addressee's name and address. "NOTED I. du P." is stamped at upper right of first page. Italics indicate handwriting.

Government's Exhibit No. 307

3814

August 25, 1920,

Mr. C. L. Petae, Vice President,
DuPont Fabrikoid Company,
Wilmington, Delaware.

Subject: CONTRACT WITH BUICK MOTOR CAR COMPANY

I have delayed treating your communication of August 10th because I wanted to have an opportunity of talking to Mr. Bassett about the matter. An opportunity arose last Friday when I had a short talk with him together with Mr. Durant from which it appears that it is not improbable that because of the lower price of your competitor who received a portion of the Buick contract, the curtailment came more quickly on our contract.

It was explained that the matter we were interested in was not a cancellation but merely a deferment, and this morning I am in receipt of a letter from Mr. Bassett after his investigation of the matter, the gist of which is the following:

> "Regarding the certain materials which we are buying from the duPont Company, which we discussed with Mr. Durant last Friday at Detroit, Mr. Allen is writing a letter to the duPont people telling them that if they do not wish to cancel the material, they can leave it on order and we will take it in as needed."

At the Finance Committee Meeting several days ago, the general matter of deferment of orders for materials was discussed and I referred briefly to this particular instance which had remained unanswered because I had been unable to get in touch with Mr. Bassett. Mr. Durant said frankly that it had become to be the custom of the automobile trade whenever change in conditions arose which necessitated that contracts for materials should be cancelled or deferred, that the suppliers of such materials had willingly accepted such orders for deferment in order to maintain the good will of the automobile companies.

At this discussion Mr. P. S. duPont and Mr. Irenee duPont were present and they perhaps will tell you the attitude taken by Mr. Durant. If the duPont Company feel they want to pursue the matter further, I think better results would be accomplished by your taking it up directly with Mr. Bassett or getting Mr. P. S. duPont or Mr. Irenee duPont to discuss the matter as one of principle with Mr. Durant. 1531

Regretting that I cannot offer a more satisfactory solution in the matter,

Yours very truly,

Vice President.

(over) 1530

3815

Mr. Petse -2

P. S. Please don't take this as indicating any unwillingness on my part to help further in the matter, as I stand ready to do anything I can.

JAH

NOTE: Signature is "JAH".

Government's Exhibit No. 308

Govt. Trial Ex. No. 308

3816

NT DE NEMOURS & COMPANY
INCORPORATED
SALES DEPARTMENT
WILMINGTON, DELAWARE

VICE PRESIDENT

September 15th, 1920.

Mr. J. A. Haskell, Vice Pres.,
General Motors Corporation,
1764 Broadway,
New York City.

Dear Mr. Haskell:

CONTRACT WITH BUICK MOTOR COMPANY

Confirming and supplementing our conversation of last Friday, relative to contract between duPont Fabrikoid Company and the Buick Motor Company for certain material, you have, I believe, Mr. Petze's letter to Mr. Raskob dated July 29th, which sets forth the circumstances under which this contract was made.

The customary form of contract used by the General Motors organization has a clause under which is reserved the right to cancel or hold up the proportionate amounts of the material ordered. The contract in question, however, is not drawn in this form, and is an outright purchase and sales contract, for definite amounts and definite deliveries.

There are three points which, it strikes me, we should consider most carefully, namely,

1. The most intimate and friendly co-operation between the units of the General Motors organization and the duPont organization.

2. That the duPont Fabrikoid Company must feel that its contracts are real contracts, to be observed both by buyer and seller.

3. The contract between the Buick and the Fabrikoid companies was a firm contract, in which was involved the purchase of a large yardage of grey goods specifically for this business, which goods were purchased at a time and price designated by the Buick Company.

I appreciate the circumstances under which the General Motors organization is reducing its inventories. Our

Govt. Trial Ex. No. 308

3817

A. Haskell, Vice Pres.,
eral Motors Corporation,
1764 Broadway,
New York City.

concerns here are in a similar position, and merely shifting the obligation from one inventory to another does not materially help the general interest.

I understand from our conversation that the Buick people expect to begin almost immediately to order out material under the contract in question, and if, as I inferred from your mention of their production schedule, the amount so ordered is likely to be within about 17% of what was contemplated, apparently they will use up the goods covered by the six months contract in a period of eight months or less. They would then be in a position to begin the use of material under the second contract say about March 1st instead of January 1st. If this estimate is in accordance with the facts, I feel that the Fabrikoid management will be content to stand the rather heavy carrying charges on these goods for the excess period as a matter of accommodation in the common interest, but without prejudice to the terms of the contract itself.

If, on the contrary, conditions should shape themselves so that very material postponement of deliveries became necessary, the matter should in my judgment be subject to further consideration along the lines of some adjustment for carrying charges or other losses occasioned by the postponement.

The foregoing is along the lines of our discussion Friday, and will be, I hope, satisfactory to all concerned.

Very truly yours,

F W Pickard

VICE-PRESIDENT.

FWP:JMQ

Government's Exhibit No. 309

3818

Letterhead of
E. I. DU PONT DE NEMOURS & COMPANY
INCORPORATED
WILMINGTON, DELAWARE
TREASURER'S OFFICE

April 28, 1921.

Mr. F. Donaldson Brown, Vice Pres.
General Motors Corporation
New York City.

Dear Sir:

You will recall an arrangement which was made between the Du Pont Company and the General Motors Corporation in connection with damages on account of changes in certain Fabrikoid contracts which the Fabrikoid Company had with the General Motors Corporation, providing for the payment to the Du Pont Company of some $700,000.00. It is my understanding that the details of this arrangement were arranged between Mr. Raskob, Mr. Petze, and yourself.

In this connection, several days ago we received a check from the Oakland Company for some $24,000.00, which they say they were forwarding as their part of this payment to be made to the Du Pont Company. They followed this up, however, with a subsequent communication requesting the return of that $24,000.00 advising that it had been sent on by mistake, inasmuch as they had since learned that that adjustment was merely to be of the nature of a bookkeeping adjustment. You are, of course, familiar with the fact that this is not the case.

3819

In view of the facts, I requested Mr. Mason to hold the check here and to advise the Oakland Company that it was being held pending a discussion of the matter at this end.

—2—

I should be pleased to have you let me know why the Oakland Company should take the position which they do now, and also would like to have you advise me of any information why this payment should be returned.

I am advised by Mr. Mason that, according to Mr. Petze, no definite time was set for the payment of this some $700,000.00. I have not yet had an opportunity to look into that adjustment, but, if it is true that no definite date was set for the payment of this sum, we should, of course, be pleased at this end to have you do anything there to expidite its payment.

Very truly yours,

W S Carpenter Jr
Treasurer.

WSC/m

Note: Italics indicate handwriting.

Government's Exhibit No. 310

April 29, 1921.

Mr. W. S. Carpenter, Jr., Treasurer,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.

Dear Sir:-

It is quite true, as you say in your letter of the 28th inst., that the agreement reached between General Motors Corporation and Du Pont Company in respect to fabrikoid contracts was definite and held no contemplation of any readjustment to follow. Since then, however, a great deal has arisen to throw new light on the situation and there is the matter of policy involved which should be given close consideration by the Du Pont Company. Possibly this consideration, in the light of circumstances such as I refer to, has been had and with decision that no readjustment of the Du Pont claim is in order or will be permitted. On the other hand, it is possible that Mr. Petse has been proceeding on the basis of policy determined during the latter part of last year, with an understanding that no reconsideration was desired.

I am not agitating a readjustment or change of policy, but merely suggesting the advisability of a thorough consideration of all the circumstances in order that there may be no danger of Du Pont Company suffering the consequences of ill will of the General Motors units. Du Pont Company undeniably has the right to insist upon settlement in accordance with the understanding reached, but by such insistence they would be following a course contrary to the treatment accorded by the vast majority of suppliers holding contracts with General Motors similar to the fabrikoid contracts.

It seems to me that the matter is one which may well be laid before the Executive Committee for determination of policy. If this has been done or is done and the Executive Committee concludes that Du Pont Company should adhere to its position, you can notify me and I will be glad to follow the matter up at this end and see that, so far as possible, settlements are made by the various General Motors units in accordance with the agreement.

Yours very truly,

D?:W

Government's Exhibit No. 311

3821

November 1, 1922.

Mr. F. S. MacGregor,
Paint Department,
E.I.duPont deNemours & Co.,
Wilmington, Delaware.

Dear Mr. MacGregor:

Yours of the 23rd ult., in regard to paint requirements of Hyatt Roller Bearing Company, received.

I am today writing Mr. H. J. Forsythe, General Manager, to look into this situation.

Are you really making a good paint today, and something that we can conscientiously recommend to General Motors divisions? I personally know that two or three years ago the paint that you turned out was not of such a quality that I personally would like to recommend. What I have in mind is the Harrison paint that was used at Wawaset, and from the experience that I had there I have not felt that I could, in justice to General Motors' interests, urge the use of Harrison paint.

If you have positively corrected what I suppose were your manufacturer's difficulties, and now have a paint that is of equal quality, and from a price and service standpoint you can meet other paint makers, I will gladly recommend the use of Harrison paint to those divisions of General Motors Corporation that I come in contact with, but I would like to have some assurance that you have accomplished the above before taking any definite position in this regard.

With kind personal regards, I am

Very truly yours,

General Manager
Accessory Divisions

JLP:V

c/c to Mr. Forsythe

Government's Exhibit No. 312

3822

HYATT BEARINGS DIVISION
GENERAL MOTORS CORPORATION
NEWARK, NEW JERSEY

HY-FLEX-ROL

December 18, 1922

J. L. Pratt, Vice President
General Motors Corporation
New York, N. Y.

Dear Mr. Pratt:

PAINTS AND OILS
MANUFACTURED BY DU PONT COMPANY

This replies to your letter of November 1. Please pardon delay in acknowledgment which is due to correspondence having been temporarily misplaced.

I took up this matter with our Purchasing Agent and I am attaching hereto copy of his note to me, dated November 16, together with a list of paint purchases during 1922, to November 16.

I trust that this gives you the information you desire.

Government's Exhibit No. 313

TO: Mr. Forsythe - #109

FROM: Mr. F. A. Weiss, #112 November 16, 1922.

SUBJECT: PAINTS AND OILS

In accordance with your wishes am attaching hereto list of items purchased thus far this year, involving miscellaneous paints and oils.

You will observe, in several instances the DuPont Company has been favored with this business, and even when we purchase small quantities locally we have the DuPont product in mind. Furthermore, in the event that the quantities wanted are sufficient to interest the DuPont people they are always given an opportunity to quote. It is the desire of their representative that we purchase all small quantities locally and of course in those instances we always specify DuPont goods. To this there is an exception, pertaining to the under-coat. In these instances we have simply been purchasing what is specified on the order, and I can explain this, for the reason that some several years ago I endeavored to have our people use Mill White Paint, of DuPont Manufacture, and they take exception to its quality, insisting on a brand we formerly received; however, since receiving your note I have gone into the matter further and regardless of the wishes of the Paint Department I will purchase Du-Lite Mill White, as I feel it will serve our purpose equally as good.

Att.

3824

MISCELLANEOUS PAINTS USED IN PAST YEAR

DESCRIPTION	QUANTITY	P. O. NO.	SUPPLIER
Red Lead Suspended in Oil	140 lbs.	3246	Paint Spec. Co.
Black Asphalt Roof Paint	175 gals.	135471	Du Pont
		130646	
		5382	
Japan Dryers	10 gals.	685	Hockenjos
Dry Red Lead	1600 lbs.	2494	Seidler
		135936	
		135704	
		2396	Hockenjos
		4346	
		131996	
White Lead in Oil	100 lbs.	4694	Hockenjos
		134150	"
Chrome Green in Oil	30 "	2396	"
" Yellow " "	50 "	135936	Seidler
Light Steel Grey Machinery Paint	1200 "	132146	Hockenjos
		3358	"
Lamp Black in Oil	100 "	132551	"
		136124	"
		3506	Seidler
		5173	"
Terra Cotta Antoxide Paint	200 gals.	136417	Du Pont
		1077	"
		3673	"
		5382	"
Turpentine Substitute	100 gals.	131346	Seidler
		3121	Hockenjos
Turpentine Pure	40 "	134322	"
		2396	"
East India Vermillion in Oil	25 lbs.	132551	"
		134150	"
White Enamel	50 gals.	1857	"
Flat White Undercoat	250 "	131996	"
		132552	"
		133577	"
		5851	"
		1954	"

3825

DESCRIPTION	QUANTITY	P. O. NO.	SUPPLIER
Hard Oil-Finishing Varnish	20 gals.	685	Hockenjos
White Copal Varnish	10 "	151996	"
		152551	"
		154810	"
Raw Sienna in Oil	100 lbs.	151199	"
		154810	"
		685	"

Government's Exhibit No. 314

3826

Paints & Oils manufactured by
DuPont Company

December 20, 1922.

Mr. H. J. Forsythe, General Manager,
Hyatt Bearings Division,
Harrison, New Jersey.

Dear Mr. Forsythe:

Please accept my thanks for your letter of the 18th instant. The information attached is all that I need.

Very truly yours,

VICE PRESIDENT.

JLP:V

Government's Exhibit No. 315

3827

DUPONT
ESTABLISHED 1802
E. I. DU PONT DE NEMOURS & COMPANY
INCORORATED
WILMINGTON, DELAWARE

DEVELOPMENT DEPARTMENT

August 27, 1924

Mr. John Pratt, Vice-President,
General Motors Corp.,
57th & Broadway,
New York City.

Dear Mr. Pratt:

It will be of much interest to us if you can conveniently find out the total quantity of ethyl alcohol which will be consumed annually by all of the General Motors units combined. Confidentially, we may in the near future consider a proposition to produce alcohol for the duPont Co.'s requirements and if we should have a small surplus it would be much more desirable for us to find an outlet for this alcohol by turning it over to the General Motors Co. rather than attempting to sell it in the open market.

Should imagine that the General Motors Co. will use considerable alcohol in making an anti-freeze mixture for the radiators during the winter months and in addition you would probably use some alcohol in the manufacture of various products.

Any information you can give us in this connection will be greatly appreciated.

Yours very truly,

Z Phelps

DEVELOPMENT DEPARTMENT

ZP FHC

NOTE: Routing stamp bearing initials "A.P.S.", "J.L.P." and "L.R.B.", with a check mark inserted by hand after "J.L.P.", appears in lower right hand corner. Italics indicate handwriting.

GOVE Government's Exhibit No. 316

3829

September 2, 1924.

Mr. Z. Phelps,
Development Department,
E. I. duPont deNemours & Co.,
Wilmington, Delaware.

Dear Mr. Phelps:

I have your letter of August 27th in regard to General Motors' requirements of ethyl alcohol. ✓

I do not have this information before me but will undertake to have same developed. However, I feel confident that General Motors' requirements of ethyl alcohol are comparatively small and would not in any way influence the DuPont Company's plans as to whether or not they should enter into the production of ethyl alcohol.

Very truly yours,

Vice President.

JLP:V
Copy to Mr. J. Lynah

NOTE: Check mark is by hand.

Government's Exhibit No. 317

3830

Sept. 2, 1924.

Mr. James Lynah:

I am enclosing herewith correspondence with Mr. Z. Phelps of the DuPont Company, in regard to General Motors' requirements of ethyl alcohol.

Won't you please, at your convenience, develop approximately General Motors' requirements of ethyl alcohol. I think this need only apply to the Car Divisions that may use alcohol for winter driveaways. The small amount of alcohol used by our various laboratories for experimental work would be negative.

Vice President.

JLP:V
enclosure

NOTE: "Accessory—Products—Supplies & Materials—Alcohol S.K." is written across top of page; "J.L.", followed by a check mark, is written at left of page; routing stamp bearing initials A.P.S., J.L.P and L.R.B., with a check mark inserted by hand after "J.L.P." appears in lower right corner. Check marks and "9-15" are written above the routing stamp.

Government's Exhibit No. 318

3831

GENERAL MOTORS CORPORATION
GENERAL PURCHASING COMMITTEE
DETROIT MICHIGAN

SUBJECT ETHYL ALCOHOL.

September 4, 1924.

ATTENTION OF

Mr. J.L.Pratt,
General Motors Corporation,
New York City.

Dear Sir:

Replying to your letter of 2nd inst. enclosing correspondence with Mr. Z. Phelps of the DuPont Company in regard to General Motors requirements of Ethyl Alcohol: we have to advise that from information available in this office, and without further development by questionnaire, that a figure of 75,000 gallons per year for General Motors divisions proper and 50,000 gallons per year for Fisher Body Corporation will be fair estimates of our requirements.

Very truly yours,

James Lynah

Secretary.

James Lynah:EB.

Government's Exhibit No. 319

E.I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE

3832

EXECUTIVE OFFICES

November 13, 1925.

Mr. Alfred P. Sloan, President,
General Motors Corporation,
New York City, N. Y.

RECEIVED
NOV 14 1925
A. P. SLOAN, Jr.

My dear Mr. Sloan:

As you probably know, this Company has joined with the Kentucky Alcohol Corporation in the formation of the Eastern Alcohol Corporation, which will manufacture industrial alcohol at Deep Water Point on the Delaware River.

My attention has been called to a news clipping from the New York Sun of November 11th in which the impression is given that glycerin has an advantage over alcohol as an anti-freeze mixture in automobile radiators. The sale of alcohol for this purpose is a very important item in the business of the Kentucky Alcohol Corporation, and presumably will be of similar importance to the new Corporation.

The Kentucky ~~Alcohol Corporation~~ inquires whether the General Motors Corporation is giving their official approval to publicity favoring glycerin rather than alcohol. If so, it is suggested that their attention be called to the advantages of alcohol and to the interest which the duPont Company will have in the future in its manufacture and sale.

I shall be glad to have your comments.

Yours very truly,

J. Fletcher Brown

VICE-PRESIDENT.

L.

E

1548

Vol. VII

TRANSCRIPT OF RECORD

(Pages 3833 to 4761)

(GOVERNMENTS EXHIBITS)

Supreme Court of the United States

OCTOBER TERM, 1956

No. 3

UNITED STATES OF AMERICA, APPELLANT,

vs.

E. I. DU PONT DE NEMOURS AND COMPANY, ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS

FILED JUNE 14, 1955

PROBABLE JURISDICTION NOTED OCTOBER 10, 1955

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1956

No. 3

UNITED STATES OF AMERICA, APPELLANT,

vs.

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VOL. VII

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